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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 1987
James J. Blanchard, Governor

Prepared by
Department of Management and Budget

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

STATE OF MICHIGAN

FISCAL YEAR ENDED SEPTEMBER 30, 1987

Prepared By:
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James J. Blanchard, Governor

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JAMES J. BLANCHARD
GOVERNOR

March 11, 1988

To: The Honorable Members of the Legislature and
to the Citizens of the State of Michigan

It is with great pleasure that I accept this Comprehensive Annual Financial Report. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is presented to you and the financial community for your increased understanding. For the first time, the auditor's opinion is unqualified, demonstrating the fulfillment of my administration's commitment to following accounting and financial reporting practices that meet the highest and most stringent professional accounting standards.

This report also demonstrates that we have restored integrity to the State's financial practices, having made the tough decisions necessary to enact six consecutive balanced budgets. The Budget Stabilization "Rainy Day" Fund, depleted during the last recession, has been replenished.

We have improved our credit rating from the worst in the nation to the best. Through innovative programs such as the Michigan Municipal Bond Authority and the Michigan Strategic Fund, we are sharing the benefits of our financial strength with local units of government and assuring development of the State's economy. In addition, we have reduced the effective rate of our income tax to its lowest level in over a decade.

We are a State of ideas, innovation, opportunity, and human investment. Michigan is once again on the cutting edge of economic and social change. Our solvency remains the linchpin of all our efforts to create jobs, provide opportunity for our children, fight crime, and protect our environment.

Maintaining our strength while continuing our commitment to quality government is our present challenge. We will meet that challenge by continuing to manage our money wisely, maintaining an absolute commitment to fiscal integrity.

Sincerely,

James J. Blanchard

James J. Blanchard
Governor

STATE OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 1987

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Statements and schedules are truncated to thousands of dollars. Because of this, they may not add to the totals.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

P.O. BOX 30026, LANSING, MICHIGAN 48909
SHELBY P. SOLOMON, Director

The Honorable James J. Blanchard, Governor
Members of the Legislature
People of the State of Michigan

In compliance with Article IX, Section 21, of the State of Michigan Constitution and Michigan Public Act 431 of 1984, I am very pleased to submit the Comprehensive Annual Financial Report of the State of Michigan for the fiscal year ended September 30, 1987. This report is noteworthy because, for the first time, it includes audited financial information for the Michigan Unemployment Compensation Fund. This allowed the Office of the Auditor General to express an "unqualified opinion" on the General Purpose Financial Statements, thus fulfilling the commitment to eliminate all reporting departures from generally accepted accounting principles.

The State's financial condition is strong. We have balanced our budgets while maintaining full compliance with acceptable accounting methods. Our improved credit ratings are now among the highest in the nation and this benefits both the State and local units of government. In addition, we have reduced the effective rate of our income tax to its lowest level in over a decade.

This report is prepared by the Department of Management and Budget, Office of Accounting, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. I am confident the data is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of the State's operations; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Reporting Standards and Presentation

Compliance with Generally Accepted Accounting Principles

The State is required by statute to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). In recent years the State eliminated all deviations from GAAP that previously existed, except for the omission of financial information related to the Michigan Unemployment Compensation Fund (MUCF). The MUCF, which is under the direction of the Michigan Employment Security Commission (MESC), was determined to be a part of the State for financial reporting purposes even though it is not accounted for within the State's accounting system. The MESC, however, had not maintained accounting records sufficient to prepare financial statements in conformance with GAAP.

This year, the MESC has issued statements for the MUCF. These have been audited by an outside accounting firm and are now included in this report as an expendable trust fund.

Method of Presentation

This report uses the "reporting pyramid" approach endorsed by the Governmental Accounting Standards Board (GASB). The pyramid does not provide a consolidated State financial statement; rather, it combines funds and component units in columns of fund types. The statements which reflect these combined fund type columns, together with related footnotes, are referred to as the "General Purpose Financial Statements." The auditor's opinion is primarily upon the General Purpose Financial Statements.

Following the General Purpose Financial Statements are the combining financial statements, schedules, and statistical data. These statements and schedules provide detail, generally by fund, for the amounts shown in the fund type columns in the General Purpose Financial Statements. The term "Comprehensive Annual Financial Report" is used to describe all of the data presented in this report.

The Government Finance Officers Association (GFOA) has established recommendations for the contents of Comprehensive Annual Financial Reports and we follow their recommendations to the extent possible. We are submitting this report to them for their consideration for the "Certificate of Achievement for Excellence in Financial Reporting" award program. We believe that this report achieves the objectives of this program's requirements, which are designed to encourage quality financial reporting by governments.

Reporting Entity

Prior to 1982-83, the State defined its reporting entity primarily based upon the extent to which the State Treasurer was responsible for the monies of the various State agencies. Basically, this included the nineteen Executive Branch departments, the Legislature, and the State portion of the court system. For the most part, all of these are subject to legislative budgetary control and are accounted for in the State's central accounting system. For financial reporting purposes, this portion of government activities is referred to as the "oversight entity."

Beginning with 1982-83, accounting principles were changed to require a broader definition of the reporting entity. The State expanded its financial report to include "component units" using new financial oversight criteria. The major impact of this change was the inclusion of financing authorities in these statements, even though the State (as legally defined) is not directly responsible for their obligations. As explained more fully in footnote #1, the statements of these component units are combined with oversight entity activities in the General Purpose Financial Statements. We have, however, presented detail in the combining statements and notes which permit the segregation of these amounts, if desired.

Budgetary Reporting

Public Act 431 of 1984 requires the State to adhere to GAAP in calculating fund balance for budgetary purposes. The statute also requires that the budget must provide for an ending unreserved fund balance which is not in deficit. If accounting principles change, the statute requires the State to also implement the change in its budgetary process.

Budgetary compliance for the annually budgeted operating funds is demonstrated in the budget to actual comparative statements, footnote #3, and also in related supplementary schedules. The budgetary basis departs from GAAP only in ways that do not affect unreserved fund balance. The two departures are the use of encumbrances, which GAAP does not require, and the funding of capital lease commitments on a "pay as you go" basis, rather than at lease inception.

Currently, the GASB is considering major changes in accounting principles, the full impact of which has not been estimated. For example, it may become necessary to record estimated liabilities for accrued employee vacation and sick leave balances (i.e., compensated absences) as fund liabilities, rather than as general long-term obligations. This would materially affect the budget process. If these proposals do become GAAP, however, they are not expected to be required until fiscal year 1990-91. The Office of Accounting and Office of the Budget will be following carefully developments in this area.

Financial Highlights - Oversight Entity

Revenues

Revenues of the General and special revenue funds (excluding component units) are shown below (in millions):

Revenue Source	1986-87 Amount	Percent of Total	Change From 1985-86	Percentage Change
Personal Income Tax	$ 3,350.2	24%	$ 196.3	6.2%
Sales Tax	2,348.4	17	65.3	2.9
Single Business Tax	1,497.6	11	(28.9)	(1.9)
Other Taxes	2,400.8	17	93.7	4.1
Federal Revenues	3,613.4	26	114.7	3.3
Other Revenues	798.1	6	(39.8)	(4.8)
Total	$14,008.7	100%	$ 401.3	

The personal income tax rate is now at its prerecession rate of 4.6%. Federal tax reform, however, had the effect of increasing the income tax base. Legislation was passed in late 1987 which, primarily by increasing personal exemptions, will phase in a rollback of the base through 1990.

The State's sales and use tax rate remained at the 4% rate, with no major changes in tax base during the calendar year.

The single business tax is a value-added type tax, that was adopted in 1975 to replace eight previous business taxes and is somewhat more volatile than the sales tax because of profit sensitive features in the statute. This year's decrease is primarily related to declines in activity in the transportation equipment industry.

"Other taxes" include the insurance premium tax. Revenue from this tax decreased by $8.5 million, as a result of court action challenging certain aspects of the tax. Disputed monies were escrowed by the court for the last quarter of 1986-87 and these are not recorded as State revenues. Legislation changing this tax was passed in late 1987. In February 1988, the legal action by insurance companies was dropped and the amounts held in escrow were released to the State. As this report is being prepared, the full impact of this development was still in the process of being determined and the amount held in escrow has not been reflected in the revenue table above.

Federal revenue increases are primarily attributable to growth in revenues from the federal Department of Health and Human Services ($94.1 million). The health and welfare programs are particularly significant both in terms of the amount involved ($2,413.6 million) as well as how matching ratios can fluctuate. The federal participation rate decreases as the State's economy improves. But, time lags in the formula result in the State currently experiencing a relatively high participation rate. Significant decreases in federal participation will occur in the future because of general reductions in federal support and the fact that improvements in the State's economy have a delayed impact on federal participation rates.

Other revenues include local ($134.2 million), services ($101.0 million), licenses and permits ($170.1 million), investment income ($70.8 million), child support recoveries ($133.7 million), and other miscellaneous sources ($188.3 million). The decrease in these revenues was caused by a number of factors, most notably a decrease in investment income of $66.1 million.

The most significant development with respect to local revenue was the inability of Wayne County to reimburse the State for its share of certain social service and mental health related costs. Subsequent to year end, legislation was passed which will provide the County with new financial mechanisms to meet its obligations. This is explained in more detail in the footnotes (#8).

Not included in the above table are "Other financing sources," which include resources provided by operating transfers ($658.3 million) from other fund types and component units and capital lease fixed asset acquisitions ($12.2 million). Transfers from other funds increased this year, largely due to two nonroutine transactions. The State Building Authority has purchased and leased back to the State three recently constructed prisons for $94.0 million and $53.3 million of oil overcharge monies were transferred from an expendable trust fund. Other significant sources of transfers are from the State Lottery ($407.6 million) and Liquor Purchases Revolving ($68.2 million) Funds.

Expenditures

Expenditures of the General and special revenue funds (excluding component units) are shown below (in millions):

Current, Capital Outlay, and Intergovernmental Expenditures by Function (GAAP Basis)	1986-87 Amount	Percent of Total	Change From 1985-86	Percent Change
Current:				
General government	$ 610.5	4.2%	$ (5.0)	(.8)%
Education	4,275.1	29.4	219.8	5.4
Health and welfare	4,636.7	31.9	164.7	3.7
Public safety & corrections	687.7	4.7	114.3	19.9
Conservation, recreation, & agriculture	270.5	1.9	16.6	6.5
Labor, commerce & regulatory	595.8	4.1	60.0	11.2
Mental health	1,022.5	7.0	119.3	13.2
Transportation	904.4	6.2	51.1	6.0
Capital outlay (including highways)	616.8	4.2	28.3	4.8
Intergovernmental - revenue sharing	879.2	6.0	48.1	5.8
Debt service - capital lease payments	25.9	.2	5.1	24.6
Total Current Capital Outlay and Intergovernmental	$14,525.6	100%	$ 822.6	

General government expenditures include operations of the legislative and judicial branches and the executive branch functions within the Departments of Management and Budget, Attorney General, Civil Rights, Civil Service, State, and Treasury. The decrease is the result of not issuing short-term notes, which reduced expenditures by $20.1 million.

Education expenditure levels reflect the State's continued emphasis in its aid to both local school districts and institutions of higher education.

Health and welfare expenditures include operations of the Departments of Social Services and Mental Health. Although caseloads have continued their downward trend, expenditures in this category increased primarily because of increases in the area of medical services.

Corrections expenditures will continue an upward trend, as new facilities are opened. Total prison capacity is being increased from a level of 12,780 as of October 1, 1984 to a projected level of 25,023 in 1990. This increase in capacity allowed the State to repeal its early release law in 1987.

Labor, commerce, and regulatory increases were largely the result of expansion in programs related to economic development and job training.

Funding for the State's Mental Health programs has been increased in recent years for both State institutions and community based programs.

The largest single element of the increase in transportation expenditures was litigation claims and judgments settlements which totaled $28.5 million and increased by $19.0 million in the State Trunkline Fund.

Capital outlay expenditures primarily reflect State Trunkline Fund highway expenditures which amounted to $473.0 million, an increase of $34.7 million, and General Fund prison expansion.

The changes in revenue sharing distributions to local units are related to changes in State tax collections.

Cash and Debt Management - Oversight Entity

The State Treasurer maintains the State's common cash pool, which is used by most State funds for short-term investment and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to $2.1 billion at September 30, 1987. The State has also used the pool to provide for special investment programs. A new program designed to encourage banks to make loans to farmers who have special hardships related to natural disasters uses the investments of pooled cash as an incentive.

The State's cash flow requirements are greatest in the earlier part of the fiscal year and short-term notes have, in the past, been issued to provide additional financing. Such borrowings, which are constitutionally required to be repaid before fiscal year-end, amounted to $500 million during 1983-84, $450 million during 1984-85, with $[illegible]50 million borrowed for 1985-86. This year, for the first time since 1977, the State Treasurer did not issue any short-term notes for cash flow financing. This improved cash position, which is largely the result of funding GAAP departures, has saved the State significant amounts of borrowing costs.

The State's level of general obligation debt is continuing to decrease as it has for the past ten years, falling from $573.5 million as of September 30, 1976 to the $157.7 million currently outstanding. This trend will continue in the future unless additional general obligation borrowing is authorized by the electorate. A proposal for additional bonding to finance environmental, infrastracture, and work force development programs is being considered for the 1988-89 fiscal year.

Revenue dedicated bonded debt, which is primarily transportation related, decreased by $20.7 million to $412.2 million during 1986-87 as there were no new bond issues during the year.

Michigan Municipal Bond Authority

Created during the 1985-86 fiscal year, the Michigan Municipal Bond Authority assists local units of government in reducing their short-term and long-term borrowing costs. The authority pools the borrowing needs of various local units, resulting in significant savings to them. Short-term financing (notes) of $347.1 million and long-term financing (bonds) of $692.0 million were issued during the fiscal year; loans outstanding to local units at September 30, 1987 total $458.2 million.

Proprietary Funds - Oversight Entity

The Liquor Purchase Revolving Fund generated net income of $58.5 million which, pursuant to statute, was transferred to the General Fund.

The State Sponsored Group Insurance Fund, which accounts for the State's self insurance for employee benefit programs, maintains its strong financial position, as assets held by the fund increased by $11.7 million to $158.1 million. Significant rate reductions are being implemented in 1987-88 in order to return the excess balances to the various operating funds.

The State's lottery fund revenues remained steady, with gross revenues of $1,043.6 million. This, however, was somewhat short of the revenue growth which had been anticipated. Daily game sales grew by 4.8%, but instant game sales were stagnant and Lotto sales declined $17.2 million. Some of the decrease in Lotto sales can be attributed to the fact that there were fewer large jackpot prizes to generate wide-spread public interest and support. The net amount provided to the School Aid Fund decreased to $407.1 million, as compared to $415.1 million last year.

Pension Plans

The State Constitution requires the State to provide current funding of plan benefits and statutes provide for the amortization of unfunded prior service costs. The statutes also contain an additional safeguard whereby a shortfall in the legally required contributions will be corrected in the second succeeding fiscal year. As a result of these measures, the State's pension systems remain relatively strong and the amount of unfunded obligations passed on to future years is minimized.

During the fiscal year, certain actuarial assumptions were changed which allowed appropriations for contributions to certain funds to be decreased by approximately $97.5 million. These changes, which are explained more fully in Note #12, primarily involved using more current asset valuations than had been used in the past.

The net assets (for valuation purposes) of State pension funds increased by $2.1 billion to $15.1 billion at September 30, 1987. The latest actuarial valuation of the two largest funds, the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS), were prepared as of September 30, 1987. The PSERS had net assets (for valuation purposes) of $11,181.0 million versus a pension obligation of $12,475.4 million at September 30, 1987. The SERS had net assets (for valuation purposes) of $3,402.9 million versus a pension obligation of $3,088.6 million at September 30, 1987. Contributions to the PSERS and SERS were sufficient during 1986-87 to cover the current service as well as to amortize prior service costs under generally accepted accounting principles.

Financial Highlights - Component Units

Governmental Types

The State Building Authority, which is reflected in the special revenue, capital projects, and debt service fund types, has financed several major university and State building projects. Bonds outstanding total $778.8 million, with $195.6 million currently available in debt service funds for debt redemption. The most significant current project of the authority is the new State library/museum, which is now under construction. During 1986-87, the authority financed three recently constructed prisons for $94.0 million. Future plans include the financing of a large portion of the State's prison construction program.

The addition of financial statements for the Michigan Unemployment Compensation Fund (MUCF) was a major accomplishment. This was achieved through the joint efforts of the Michigan Employment Security Commission, the Departments of Labor and Management and Budget, and an outside accounting firm. The fund balance of the MUCF at year-end was $240.3 million, as compared to a beginning fund balance deficit of $41.6 million, as fiscal year revenues exceeded expenditures by $281.8 million.

Proprietary Types

The largest proprietary type component units are the Michigan State Housing Development and Hospital Finance Authorities. These authorities, which help finance various housing and hospital financing activities, have bonds and notes payable of $1,852.6 million and $2,358.8 million outstanding, respectively. The Michigan Strategic Fund is also reported in this fund type. It is implementing several new programs to stimulate business and job growth and has become a major tool in these areas.

Audit

The principal auditor of the State's reporting entity is the legislative Office of the Auditor General. Their examination was conducted in accordance with generally accepted auditing standards (GAAS), and their opinion precedes the General Purpose Financial Statements. The accounting firm of Deloitte Haskins & Sells has reviewed the General Purpose Financial Statements in accordance with standards established by the American Institute of Certified Public Accountants and their review letter also precedes these statements.

In addition to the annual audit of the State's General Purpose Financial Statements, the Office of the Auditor General performs periodic financial and expanded scope audits of the various State agencies. Outside accounting firms are also frequently used, particularly for the audits of separately issued component unit financial statements, such as those for the major financing authorities and the Michigan Unemployment Compensation Fund. The Auditor General, as the State's principal auditor, also has primary responsibility for federal Single Audit Act coverage and this work is generally being reported at the department or authority level.

Important new legislation requiring all State principal departments to appoint an internal auditor and maintain adequate internal control systems was passed in December 1986. Each department is now required to periodically report on the status of its internal accounting and administrative control systems. If any material weaknesses exist, the department must provide plans and a time schedule for addressing the problem.

Conclusion

I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe their combined efforts have produced a report that will enable government decision makers and concerned citizens to better evaluate and understand the State's financial condition.

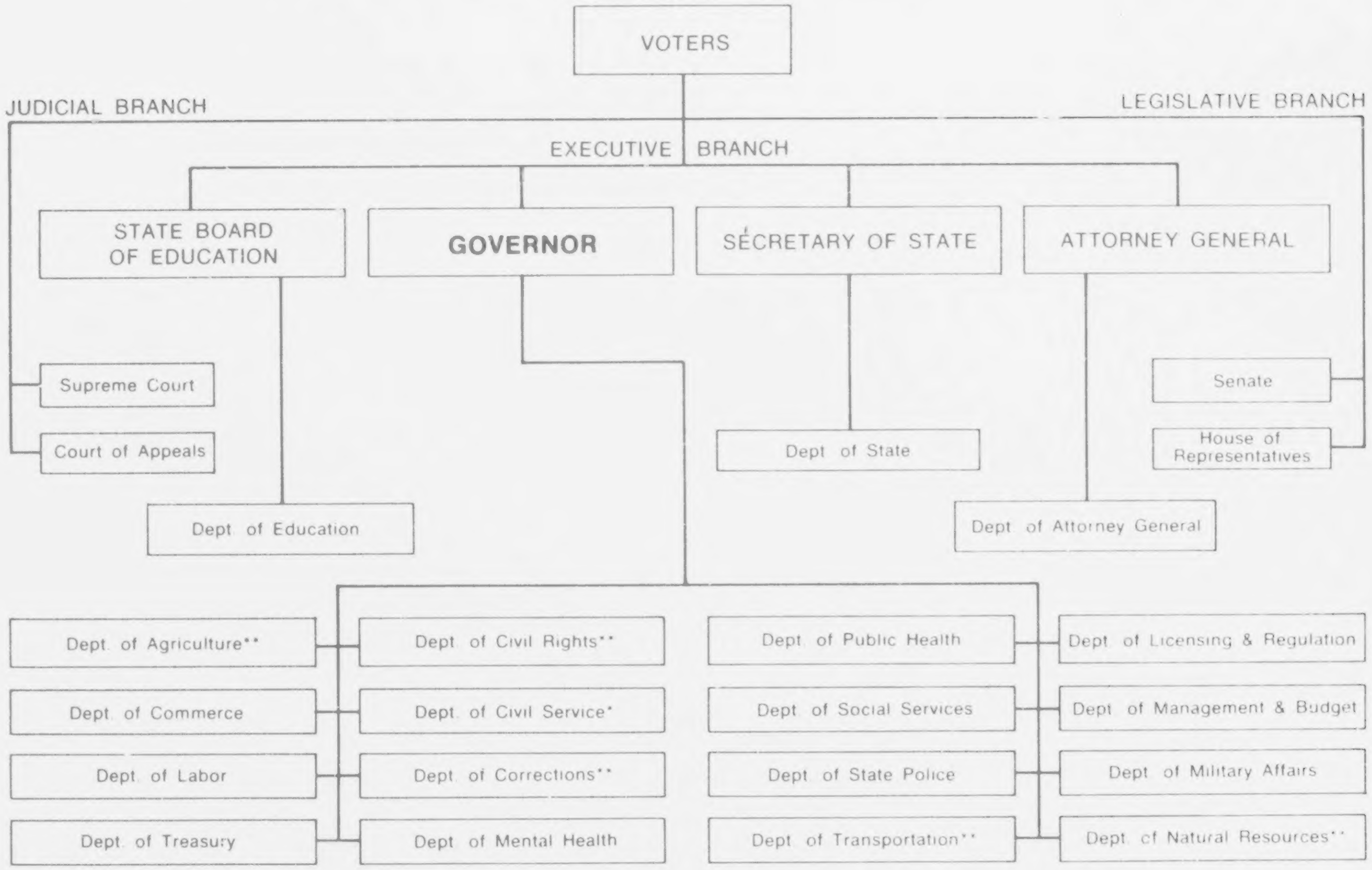
Very truly yours,

Shelby Solomon
Director

March 11, 1988

STATE OF MICHIGAN

Organizational Structure


VOTERS
JUDICIAL BRANCH
EXECUTIVE BRANCH
LEGISLATIVE BRANCH
STATE BOARD OF EDUCATION
GOVERNOR
SECRETARY OF STATE
ATTORNEY GENERAL
Supreme Court
Court of Appeals
Dept. of Education
Dept. of State
Dept. of Attorney General
Senate
House of Representatives
Dept. of Agriculture**
Dept. of Commerce
Dept. of Labor
Dept. of Treasury
Dept. of Civil Rights**
Dept. of Civil Service*
Dept. of Corrections**
Dept. of Mental Health
Dept. of Public Health
Dept. of Social Services
Dept. of State Police
Dept. of Transportation**
Dept. of Licensing & Regulation
Dept. of Management & Budget
Dept. of Military Affairs
Dept. of Natural Resources**

*Have Commission appointed by Governor
**Have Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
- Honorable Dorothy Comstock Riley, Chief Justice
- Honorable Charles L. Levin, Associate Justice
- Honorable James H. Brickley, Associate Justice
- Honorable Michael F. Cavanagh, Associate Justice
- Honorable Patricia J. Boyle, Associate Justice
- Honorable Dennis W. Archer, Associate Justice
- Honorable Robert P. Griffin, Associate Justice

LEGISLATIVE BRANCH

Honorable Martha W. Griffiths
President of the Senate

Honorable Gary M. Owen
Speaker of the House of Representatives

Franklin C. Pinkelman
Legislative Auditor General

EXECUTIVE BRANCH

Honorable James J. Blanchard, Governor

Honorable Frank J. Kelley, Attorney General

Honorable Richard H. Austin, Secretary of State

- State Board of Education
  - Honorable James J. Blanchard (Ex Officio)
  - Honorable Dorothy Beardmore
  - Honorable Carroll M. Hutton
  - Honorable Cherry Jacobus
  - Honorable Barbara Roberts Mason
  - Honorable Annetta Miller
  - Honorable Gumecindo Salas
  - Honorable Norman Otto Stockmeyer, Sr.
  - Honorable Edmund F. Vandette
- Gary D. Hawks, Interim Superintendent of Public Instruction

- Michigan Commission of Agriculture
  - Elwood Kirkpatrick
  - Vernon L. Kretzschmer
  - George A. McManus, Jr.
  - Rita M. Reid
  - S. Leon Whitney
- Dr. Paul E. Kindinger, Director, Department of Agriculture

- Civil Rights Commission
  - Sondra Lynn Berlin
  - Beverly Clark
  - Eva Evans
  - Dorothy Haener
  - Michael C. Hidalgo
  - Rev. William Holly
  - Benny N. Napoleon
  - Philip Van Dam
- John Roy Castillo, Director, Dept. of Civil Rights

- Civil Service Commission
  - John F. Dodge, Jr.
  - Walter R. Greene
  - Alan A. May
  - Patricia B. Johnson
- John F. Hueni, Jr., Director, Dept. of Civil Service

Doug Ross, Director, Department of Commerce

- Corrections Commission
  - Robert S. Axford
  - Brunetta Brandy
  - Thomas K. Eardley, Jr.
  - James H. Lincoln
  - Duane L. Waters
- Robert Brown, Jr., Director, Department of Corrections

Elizabeth P Howe, Director, Department of Labor

Raymond W. Hood, Sr., Director, Department of Licensing and Regulation

Shelby P. Solomon, Director, Department of Management and Budget

Thomas D. Watkins, Jr., Director, Department of Mental Health

Major Gen. Vernon J. Andrews, Director, Department of Military Affairs

- Natural Resources Commission
  - Thomas J. Anderson
  - Marlene J. Fluharty
  - Vacant
  - Kerry Kammer
  - O. Stewart Myers
  - David D. Olson
  - Raymond Poupore
- Gordon E. Guyer, Director, Department of Natural Resources

Raj M Wiener, Acting Director, Department of Public Health

C. Patrick Babcock, Director, Department of Social Services

Col. Ritchie T. Davis, Director, Department of State Police

- Transportation Commission
  - William C. Marshall
  - Rodger D. Young
  - Stephen F. Adamini
  - William J. Beckham, Jr.
  - Hannes Meyers, Jr.
  - Shirley E. Zeller
- James P. Pitz, Director, Dept. of Transportation

Robert A. Bowman, State Treasurer

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II FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
ACCOUNTANT'S REVIEW REPORT
GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MICHIGAN
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FRANKLIN C. PINKELMAN, C.P.A.
AUDITOR GENERAL

CHARLES S. JONES, C.P.A.
DEPUTY

March 11, 1988

The Honorable James J. Blanchard, Governor
Members of the Legislature

We have examined the general purpose financial statements of the State of Michigan, principally as of September 30, 1987 and for the year then ended, listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units and the State Lottery Fund which are more fully described in Notes 1 and 24. Those financial statements reflect total assets and revenues constituting 3.3% and 0.2% of the assets and revenues, respectively, of the special revenue funds; 97% and 55% of the assets and revenues, respectively, of the debt service funds; 99% and 99% of the assets and revenues, respectively, of the capital projects funds; 98% and 78% of the assets and operating revenues, respectively, of the enterprise funds; 44% and 74% of the assets and revenues, respectively, of the expendable trust funds; and 39% of the liabilities of the General Long-Term Obligations Account Group. Those statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts reported on those financial statements, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly the financial position of the State of Michigan principally at September 30, 1987 and the results of its operations and the changes in financial position of the proprietary fund types and pension related trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for addition of the Michigan Unemployment Compensation Fund in the Expendable Trust Fund Group, addition of the Insurance Carrier Deposits Fund in the Agency Fund Group, reclassification of the State Employees' Deferred Compensation Fund I from the Expendable Trust Fund to the Agency Fund Group, a change to recognizing an estimated liability for unsettled highway negligence litigation in the General Long-Term Obligations Account Group, and a change to using more current actuarial valuations for calculating required contributions to the two largest State-sponsored retirement systems. We concur with all of these accounting changes which are described in Notes 1, 4, and 12 to the general purpose financial statements.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical data listed in the foregoing table of contents was not audited by us and, accordingly, we express no opinion on it.

Sincerely,

Pinkelman

Franklin C. Pinkelman, C.P.A.
Auditor General

Deloitte
Haskins+Sells

Suite 3100
100 Renaissance Center
Detroit, Michigan 48243-1167
(313) 446-0100
ITT TIMETRAN: 4994951

The Honorable Franklin C. Pinkelman, CPA
Auditor General
State of Michigan
Lansing, Michigan

March 11, 1988

We have reviewed the general purpose financial statements of the State of Michigan principally as of September 30, 1987 and for the year then ended, listed in the foregoing table of contents, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the State of Michigan Department of Management and Budget.

A review consists principally of inquiries of State personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing the limited assurance described in the preceding paragraph concerning the financial statements taken as a whole. Our review also comprehended the supplemental financial data listed in the foregoing table of contents which is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Based on our review, we are not aware of any material modifications that should be made to the supplemental financial data in order for such data, when considered in relation to the general purpose financial statements, to be in conformity with generally accepted accounting principles. The statistical data listed in the foregoing table of contents was not reviewed by us; accordingly, we do not express an opinion or any other form of assurance on it.

Yours truly,

Deloitte Haskins + Sells

STATE OF MICHIGAN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1987
(In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 5,714	$ 3,149	$ 2,232	$ -
Equity in Common Cash (Note 5)	601,811	982,828	2,426	188
Taxes, interest, and penalties receivable (at net) (Note 6)	936,607	189,379	-	-
Amounts due from other funds (Note 20)	20,597	49,722	5,747	-
Amounts due from federal agencies	415,880	62,770	-	24
Amounts due from local units (at net) (Notes 8 and 26)	203,351	21,321	-	-
Inventories	20,209	13,077	-	-
Investments (Note 9)	-	44,815	120,128	18,133
Other current assets	158,712	21,474	3,189	357
Total Current Assets	2,362,886	1,388,540	133,723	18,703
Taxes, interest, and penalties receivable (at net) (Note 6)	30,316	3,240	-	-
Advances to other funds (Note 20)	5,003	2,015	-	-
Amounts due from local units	26,536	122,873	-	-
Mortgages and loans receivable (Note 10)	-	-	-	-
Investments (Note 9)	-	16,920	71,909	1,995
Property, plant and equipment (Note 11)	-	-	-	-
Other noncurrent assets	14,870	8,058	-	-
Amount available for retirement of bonds	-	-	-	-
Amount to be provided for bond retirement	-	-	-	-
Amounts to be provided for other long-term obligations (Note 15)	-	-	-	-
Total Assets	$ 2,439,613	$ 1,541,647	$ 205,633	$ 20,699
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash (Note 5)	$ -	$ 135,140	$ -	$ -
Warrants outstanding	88,669	7,022	-	6
Accounts payable and other liabilities	909,876	232,850	3	2,127
Income tax refunds payable	646,887	-	-	-
Amounts due to other funds (Note 20)	38,778	39,140	4,422	12,593
Bonds and notes payable (Note 18)	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	14,722	16,594	-	-
Escrow funds	-	-	-	-
Total Current Liabilities	1,698,935	430,747	4,425	14,727
Long-Term Liabilities:				
Advances from other funds (Note 20)	-	-	-	-
Advances from federal agencies (Note 17)	-	-	-	-
Prize awards payable (Note 18)	-	-	-	-
Deferred revenue	46,159	14,298	-	-
Bonds and notes payable (Notes 15 and 18)	-	-	-	-
Other long-term liabilities (Notes 15 and 19)	-	-	-	-
Total Liabilities	1,745,095	445,046	4,425	14,727
Fund Equity:				
Investment in general fixed assets	-	-	-	-
Retained earnings (Note 22)	-	-	-	-
Reserved fund balance (Note 23)	683,488	503,554	348	161
Unreserved fund balance (Note 23)	11,030	593,047	200,858	5,810
Total Fund Equity	694,518	1,096,601	201,207	5,971
Total Liabilities and Fund Equity	$ 2,439,613	$ 1,541,647	$ 205,633	$ 20,699

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTALS (MEMORANDUM ONLY)
$ 13,034	$ 1,005	$ 13,761	$ -	$ -	$ 38,898
71,794	122,769	436,753	-	-	2,218,571
-	-	153,824	-	-	1,279,812
1,286	1,817	24,477	-	-	103,649
6,447	15	17,087	-	-	502,225
-	165	47,635	-	-	272,475
53,461	13,677	-	-	-	100,426
466,772	-	3,643,837	-	-	4,293,688
121,424	2,112	302,391	-	-	609,663
734,222	141,564	4,639,769	-	-	9,419,410
-	-	2,380	-	-	35,937
-	-	-	-	-	7,019
-	-	784	-	-	150,194
2,864,146	-	-	-	-	2,864,146
1,775,354	-	13,292,017	-	-	15,158,196
34,966	75,926	-	1,649,300	-	1,760,193
4,338	46,908	266,763	-	-	340,939
-	-	-	-	200,858	200,858
-	-	-	-	1,147,921	1,147,921
-	-	-	-	646,795	646,795
$ 5,413,027	$ 264,398	$18,201,715	$ 1,649,300	$ 1,995,575	$31,731,612
$ 2,400	$ 16,946	$ -	$ -	$ -	$ 154,486
5,943	1,202	19,111	-	-	121,955
115,062	66,542	645,749	-	-	1,972,210
-	-	-	-	-	646,887
772	180	7,848	-	-	103,736
148,337	-	-	-	-	148,337
111,572	-	-	-	-	111,572
18,962	65,601	21,354	-	-	137,235
137,184	-	-	-	-	137,184
540,235	150,473	694,063	-	-	3,533,608
-	5,003	2,015	-	-	7,019
-	-	952,609	-	-	952,609
284,353	-	-	-	-	284,353
480	603	2,380	-	-	63,922
4,208,532	-	-	-	1,348,780	5,557,312
8,238	36,327	855,419	-	646,795	1,546,780
5,041,840	192,408	2,506,488	-	1,995,575	11,945,607
-	-	-	1,649,300	-	1,649,300
371,187	71,990	-	-	-	443,178
-	-	13,764,640	-	-	14,952,193
-	-	1,930,586	-	-	2,741,333
371,187	71,990	15,695,227	1,649,300	-	19,786,005
$ 5,413,027	$ 264,398	$18,201,715	$ 1,649,300	$ 1,995,575	$31,731,612

STATE OF MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	$ 7,044,543	$ 2,552,672	$ -
From federal agencies	3,115,934	497,467	-
From local agencies	105,716	28,535	4,963
From services	99,852	1,279	-
From licenses and permits	105,135	70,344	5,681
Miscellaneous	256,525	138,587	13,912
Total Revenues	10,727,708	3,288,887	24,557
EXPENDITURES			
Current:			
General government	600,202	10,381	121
Education	1,718,467	2,588,140	-
Health and welfare	4,636,720	-	-
Public safety and corrections	687,718	1	-
Conservation, recreation, and agriculture	266,341	4,188	-
Labor, commerce, and regulatory	487,879	107,988	-
Mental health	1,022,501	-	-
Transportation	-	908,117	-
Items not assigned to a function	57	-	-
Capital outlay	119,525	497,350	-
Intergovernmental - revenue sharing	879,238	-	-
Debt service:			
Bond principal retirement	-	-	77,949
Bond interest and fiscal charges	-	-	88,081
Capital lease payments	21,823	4,163	-
Total Expenditures	10,440,478	4,120,331	166,152
Excess of Revenues over (under) Expenditures	287,229	(831,443)	(141,594)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	75,266	-
Capital lease acquisitions and refinancing (Note 16)	11,135	1,111	-
Operating transfers in	409,217	1,443,369	207,805
Operating transfers out	(709,824)	(701,473)	(5,744)
Total Other Financing Sources (Uses)	(289,472)	818,273	202,060
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,242)	(13,170)	60,465
Fund Balances - Beginning of fiscal year as previously reported	697,321	1,109,236	141,277
Effect of accounting changes (Note 4)	-	-	-
Fund Balances - Beginning of fiscal year - restated	697,321	1,109,236	141,277
Equity transfers from other funds	-	535	824
Equity transfers to other funds	(559)	-	(1,359)
Fund Balances - End of fiscal year	$ 694,518	$ 1,096,601	$ 201,207

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPES	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
$ -	$ 1,174,724	$10,771,940
5	100,387	3,713,796
-	15,107	154,322
-	-	101,131
-	-	181,162
1,838	387,361	798,226
1,844	1,677,582	15,720,580
-	85,355	696,060
-	8	4,306,616
-	52	4,636,773
-	-	687,719
-	-	270,530
-	1,001,776	1,597,644
-	5,701	1,028,203
-	92,827	1,000,945
-	-	57
20,913	-	637,788
-	-	879,238
-	-	77,949
-	-	88,081
-	-	25,987
20,913	1,185,721	15,933,597
(19,068)	491,860	(213,016)
99,955	-	175,222
-	-	12,246
-	3,776	2,064,168
(112,690)	(73,558)	(1,603,292)
(12,735)	(69,781)	648,344
(31,804)	422,079	435,328
37,775	2,019,335	4,004,946
-	(510,828)	(510,828)
37,775	1,508,507	3,494,118
-	-	1,359
-	-	(1,919)
$ 5,971	$ 1,930,586	$ 3,928,886

STATE OF MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

Statutory/Budgetary Basis	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 6,897,500	$ 7,044,543	$ 147,043
From federal agencies	3,293,300	3,115,934	(177,365)
From local agencies	97,900	105,716	7,816
From services	105,000	99,852	(5,147)
From licenses and permits	95,400	105,135	9,735
Miscellaneous	251,000	256,525	5,525
Operating transfers in	209,600	409,217	199,617
Total Revenues and Other Sources	10,949,700	11,136,925	187,225
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Legislative	97,910	95,511	2,398
Judicial	123,583	122,365	1,217
Executive	3,875	3,696	179
Management and Budget	1,105,158	1,091,131	14,027
Attorney General	28,364	27,514	850
Civil Rights	11,940	11,710	229
Civil Service	15,348	14,898	450
State	101,325	100,561	763
Treasury	168,635	162,778	5,856
Education	1,096,734	1,094,411	2,323
Grants to Colleges and Universities	1,201,263	1,201,208	55
Public Health	294,924	295,760	(835)
Mental Health	997,940	1,032,158	(34,217)
Social Services	4,279,689	4,373,090	(93,400)
Corrections	575,347	564,190	11,157
Military Affairs	25,115	25,067	48
State Police	192,195	192,846	(651)
Transportation	-	-	-
Commerce	186,260	184,481	1,779
Labor	316,412	296,685	19,726
Licensing and Regulation	21,272	19,380	1,892
Natural Resources	255,182	237,412	17,769
Agriculture	50,624	48,779	1,844
Items Not Assigned to Departments	-	57	(57)
Total Expenditures, Operating Transfers Out, and Encumbrances	11,149,106	11,195,697	(46,591)
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (199,406)	(58,771)	$ 140,634
Reconciling Items (Note 3):			
Encumbrances at September 30		56,529	
Funds not annually budgeted		-	
Net Reconciling Items		56,529	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(2,242)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		697,321	
Equity transfers from other funds		-	
Equity transfers to other funds		(559)	
Ending balances (GAAP Basis)		$ 694,518	

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,527,100	$ 2,552,672	$ 25,572	$ 9,424,600	$ 9,597,215	$ 172,615
349,100	389,219	40,119	3,642,400	3,505,154	(137,245)
16,600	23,365	6,765	114,500	129,082	14,582
1,000	1,188	188	106,000	101,040	(4,959)
55,900	64,952	9,052	151,300	170,087	18,787
124,300	129,282	4,982	375,300	385,808	10,508
1,457,400	1,438,718	(18,681)	1,667,000	1,847,935	180,935
4,531,400	4,599,398	67,998	15,481,100	15,736,324	255,224
-	-	-	97,910	95,511	2,398
-	-	-	123,583	122,365	1,217
-	-	-	3,875	3,696	179
42,493	39,226	3,266	1,147,651	1,130,357	17,294
-	-	-	28,364	27,514	850
-	-	-	11,940	11,710	229
-	-	-	15,348	14,898	450
1,089	475	613	102,414	101,037	1,377
-	-	-	168,635	162,778	5,856
2,554,128	2,554,128	-	3,650,862	3,648,539	2,323
-	-	-	1,201,263	1,201,208	55
-	-	-	294,924	295,760	(835)
-	-	-	997,940	1,032,158	(34,217)
-	-	-	4,279,689	4,373,090	(93,400)
-	-	-	575,347	564,190	11,157
-	-	-	25,115	25,067	48
-	-	-	192,195	192,846	(651)
1,984,288	1,943,529	40,759	1,984,288	1,943,529	40,759
-	-	-	186,260	184,481	1,779
6,713	6,526	187	323,125	303,211	19,914
-	-	-	21,272	19,380	1,892
101,498	99,892	1,606	356,680	337,304	19,375
-	-	-	50,624	48,779	1,844
-	-	-	-	57	(57)
4,690,211	4,643,777	46,433	15,839,317	15,839,475	(157)
$ (158,811)	(44,378)	$ 114,432	$ (358,217)	(103,150)	$ 255,066
	28,604			85,133	
	2,604			2,604	
	31,208			87,737	
	(13,170)			(15,412)	
	1,109,236			1,806,557	
	535			535	
	-			(559)	
	$ 1,096,601			$ 1,791,120	

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS AND FUND BALANCES
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
OPERATING REVENUES:				
Operating revenues	$ 1,474,798	$ 364,154	$ -	$ 1,838,953
Contributions from members and employers (Note 12)	-	-	868,551	868,551
Interest income	277,356	-	-	277,356
Investment revenue (net)	157,827	-	1,974,153	2,131,981
Miscellaneous	35,606	-	7,700	43,306
Total Operating Revenues	1,945,589	364,154	2,850,404	5,160,148
OPERATING EXPENSES:				
Salaries, wages, and other administrative	178,400	53,128	6,118	237,648
Interest expense	374,184	428	-	374,613
Depreciation	5,981	14,415	-	20,396
Purchases for resale	336,121	19,156	-	355,277
Purchases for prison industries	-	6,568	-	6,568
Lottery prize awards	494,563	-	-	494,563
Payment of premiums and claims	-	259,495	-	259,495
Benefits, insurance, and refunds	-	-	1,041,756	1,041,756
Other operating expenses	74,880	-	-	74,880
Total Operating Expenses	1,464,132	353,193	1,047,874	2,865,199
Operating Income (Loss)	481,457	10,961	1,802,530	2,294,949
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	(175)	-	-	(175)
Specific tax on spirits	7,405	-	-	7,405
Gain (loss) on disposal of assets	(45)	(623)	-	(669)
Federal grant revenue	22,540	-	-	22,540
Grant expense	(28,796)	-	-	(28,796)
Gain (loss) on debt refunding	(76)	-	-	(76)
Other nonoperating revenues (expenses)	114	38	-	152
Total Nonoperating Revenues (Expenses)	965	(585)	-	380
Income (Loss) Before Operating Transfers	482,422	10,376	1,802,530	2,295,329
OPERATING TRANSFERS:				
Operating transfers in	23,162	979	116	24,258
Operating transfers out	(477,811)	(1,866)	(5,922)	(485,600)
Total Operating Transfers In (Out)	(454,648)	(887)	(5,806)	(461,342)
Net Income (Loss)	27,774	9,489	1,796,723	1,833,987
Retained Earnings and Fund Balances - Beginning of Fiscal Year	343,413	60,829	11,967,917	12,372,159
Equity transfers from other funds	-	559	-	559
Contributed capital - fixed assets	-	1,112	-	1,112
Retained Earnings and Fund Balances - End of Fiscal Year	$ 371,187	$ 71,990	$13,764,640	$14,207,819

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
SOURCES OF FUNDS:				
From operations:				
Net income (loss)..	$ 27,774	$ 9,489	$ 1,796,723	$ 1,833,987
Items not requiring (providing) working capital:				
Depreciation...	5,981	14,415	-	20,396
Compensated absences - long-term portion................	610	311	-	922
Increase in long-term prize awards......................	88,193	-	-	88,193
Disability claims - long-term portion...................	-	3,566	-	3,566
Provision for losses on loans...........................	8,574	-	-	8,574
Amortization of deferred items (net)....................	18,486	-	-	18,486
Loss (gain) on disposal of fixed assets.................	45	623	-	669
Contributed fixed assets included in operating transfers	(1,514)	-	-	(1,514)
Working Capital Provided (Used) from Operations...........	148,150	28,406	1,796,723	1,973,280
From other sources:				
Proceeds from bonds and notes sold..........................	382,271	-	-	382,271
Principal repayments on loans...............................	208,124	-	-	208,124
Increase in long-term deferred revenues.....................	191	360	-	551
Sale of fixed assets..	1	2,523	-	2,525
Decrease in noncurrent investments (net)....................	29,524	-	-	29,524
Equity transfers from other funds...........................	-	559	-	559
Increase in long-term lease obligations.....................	182	11,476	-	11,658
Increase in advances and other long-term liabilities........	488	5,003	-	5,492
Contributed capital - fixed assets..........................	-	1,112	-	1,112
Total Sources (Uses) of Funds.............................	$ 768,935	$ 49,442	$ 1,796,723	$ 2,615,101
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net)......................	$ 389,650	$ -	$ 1,237,268	$ 1,626,918
New loans issued...	205,428	-	-	205,428
Decrease in long-term bonds and notes payable..................	254,199	-	-	254,199
Decrease in long-term prize awards payable.....................	23,978	-	-	23,978
Increase in other noncurrent assets............................	725	8,224	-	8,950
Additions to fixed assets......................................	8,125	32,563	-	40,689
Decrease in long-term deferred revenues........................	78	-	-	78
Reduction in long-term lease obligations.......................	373	-	-	373
Decrease in other long-term liabilities........................	3,831	-	-	3,831
Net increase (decrease) in working capital.....................	(117,456)	8,654	559,455	450,653
Total Application of Funds................................	$ 768,935	$ 49,442	$ 1,796,723	$ 2,615,101
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents......................................	$ 1,194	$ (8)	$ -	$ 1,186
Equity in Common Cash..	15,924	2,051	(69,079)	(51,103)
Amounts due from other funds...................................	(406)	187	(5,764)	(5,983)
Amounts due from federal agencies..............................	3,556	15	-	3,571
Amounts due from local units...................................	-	(71)	(4,837)	(4,909)
Inventories..	(8,771)	2,451	-	(6,319)
Investments..	(72,253)	-	656,936	584,682
Other current assets...	(5,522)	133	110,919	105,530
Warrants outstanding...	597	(643)	(3,848)	(3,893)
Accounts payable and other liabilities.........................	(17,616)	(3,541)	(124,869)	(146,027)
Amounts due to other funds.....................................	22	39	-	61
Bonds and notes payable - current..............................	(20,729)	-	-	(20,729)
Interest payable...	(4,945)	-	-	(4,945)
Deferred revenue...	11,235	8,038	-	19,273
Escrow funds...	(19,742)	-	-	(19,742)
Net Increase (Decrease) in Working Capital................	$ (117,456)	$ 8,654	$ 559,455	$ 450,653

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes the criteria to be used in determining which organizations should be included in these financial statements. The GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, requires the inclusion of the financial transactions of all government organizations for which the State has the ability to exercise significant oversight responsibility. The extent of oversight responsibility is based upon several criteria including: selection of governing authority, designation of management, the ability of the State to significantly influence operations, financial interdependency and accountability for fiscal matters including the level of State financing and/or moral or legal responsibility for the long-term debt of the organizations. Based upon this criteria, the following component units are included in this report:

Governmental Fund Types	Proprietary Fund Types
State Building Authority	Michigan State Hospital Finance Authority
Michigan Higher Education Facilities Authority	Michigan Higher Education Student Loan Authority
Michigan Family Farm Development Authority	Michigan Higher Education Assistance Authority
Mackinac Bridge Authority	Mackinac Island State Park Commission
Michigan Unemployment Compensation Fund	Michigan Strategic Fund
	Michigan State Housing Development Authority

The Michigan Unemployment Compensation Fund (MUCF) of the Michigan Employment Security Commission (MESC) was excluded from this financial report in prior fiscal years because audited financial statements prepared in accordance with generally accepted accounting principles were not available. This year, such statements are included. See Note #4 for details of this change.

The Michigan Municipal Bond Authority (MMBA) was created by P.A. 227 of 1985. The MMBA assists local units in the creation and marketing of municipal debt. As explained more fully in Note #15, the MMBA issues limited obligation debt on behalf of the local units by pooling their borrowing needs. The administrative costs of the MMBA are appropriated and recorded in the State General Fund.

The Michigan Export Development Authority was created by P.A. 157 of 1986 for the purpose of fostering State exports. The Authority is an autonomous organizational unit within the Department of Agriculture and it is accounted for within the State's General Fund. The Authority is authorized to issue limited obligation bonds, but to date it has not done so.

The court system components included as part of the State oversight entity include: the Michigan Supreme Court, the Michigan Court of Appeals, the Court of Claims, the 36th District Court, and the Wayne County Circuit Court. The financial transactions of these courts are included in the General Fund. Other circuit courts, district courts, and probate courts are considered local units of government activities and have been excluded from these statements.

The Michigan State Accident Fund (MSAF), which provides workers' compensation insurance coverage for both public and private employers, has (except for certain investment activity) been excluded from this report because the State has been unable to exercise significant oversight responsibility. The MSAF has entered into legal proceedings challenging the level of State control over its operations. The State currently acts as a depository for a portion of the investments of the MSAF. This portion is accounted for within the State accounting system and is reported as an expendable trust fund titled the "Michigan State Accident Fund." A separately issued financial report is available upon request from the MSAF.

Note 1 continued on next page.

Public institutions of higher education have been excluded from these statements. Community colleges are excluded because they are local units of government. Other public institutions have been excluded based upon an application of the manifestations of oversight criteria of the GASB. By State Constitution, law, and practice the institutions have been made autonomous and the degree of State oversight is so remote that it is deemed most appropriate not to reflect them as part of the entity.

The following summarizes the evaluation of the manifestations of oversight for the institutions of higher education: (a) the three largest institutions' governing boards are selected by the electorate and State officials do not maintain significant continuing relationships with the other institutions' boards; (b) the institutions' employees are not part of the State's classified civil service; (c) management is not appointed by the State; (d) the State does not establish or control the budgets; (e) the State is not responsible for debts or deficits; (f) assets are held in the name of the institutions; (g) each institution maintains its own accounting records, investments, and bank accounts; (h) each issues its own financial statements which are audited by outside accounting firms selected by the institution; (i) the institutions have significant non-state revenues.

The State grants to the institutions are generally unrestricted in that each institution determines how the money is used, although in some cases the State makes grants for specific programs or construction projects. In the operating statements, these grants are classified as "Education" expenditures of the funds making grants.

The International Bridge Authority of Michigan at Sault Ste. Marie, Michigan is a joint venture of the State and Canadian governments. The Authority is governed by a commission made up of five members, three from the State and two from Canada. Toll revenues are used to finance the cost of operating and maintaining the bridge as well as to cover debt service requirements. Budgetary and financial control over the Authority is the responsibility of the commission. The following is summary financial information for the Authority as of its fiscal years ended August 31 (in thousands):

	1987	1986
Current Assets	$1,247	$1,451
Current Liabilities	729	766
Total Equity	517	685
Total Revenues	2,995	2,722
Total Expenditures	3,165	2,989
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(170)	(267)
Fixed Assets (cost)	2,833	2,761
Long-Term Debt (Bonds Payable)	7,850	7,850

B. Basis of Presentation

With the exception of amounts related to component unit statements, the financial statements are based upon financial transactions of the State as they are recorded in individual funds in the State's central accounting system. The amounts presented for component units are based upon audited financial statements and schedules issued by the units. As more fully explained in Note #2, the various funds and units are combined into the various fund types described below:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the State's primary operating fund. It is used to account for general purpose financial resources and those restricted revenues which are not required to be accounted for in separate funds.

Special Revenue Funds: This fund group includes operating fund and component unit activities which account for the proceeds of certain specific revenue sources that are legally restricted for specified purposes.

Capital Project Funds: Funds and component units which account for the acquisition or construction of major State capital facilities financed by bond proceeds are reported in this fund group.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Note 1 continued on next page.

PROPRIETARY FUND TYPES

Enterprise Funds: This fund group includes component units and funds whose operations and finances are accounted for in a manner similar to private business enterprises. For this group, it is the intent of the State that: (a) the costs (i.e., expenses, including depreciation) of providing goods or services to the general public be financed primarily by user charges; or (b) "net income" be periodically determined and used as appropriate for capital maintenance, management control, or determination of amounts to be transferred to other operating funds as required by statute.

Internal Service Funds: This group is similar to enterprise funds except that the goods or services are provided primarily to other agencies or funds of the State, rather than to the general public.

FIDUCIARY FUND TYPES

Trust and Agency Funds: This group includes assets held by the State in a trustee or agent capacity. The group is subdivided into three subtypes: (a) pension funds which are accounted for in a manner similar to proprietary funds; (b) expendable trust funds, which are accounted for in a manner similar to governmental funds; and (c) agency funds which are purely custodial in nature and for which asset and liability balances, but not operating results, are included in the general purpose financial statements.

ACCOUNT GROUPS

General Fixed Assets Group: This group of accounts is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the State, except for assets of proprietary fund types which are recorded directly in those funds.

General Long-Term Obligations Group: This group accounts for all of the long-term obligations of the State, except for those accounted for directly in a fund.

TOTALS (MEMORANDUM ONLY)

Amounts in the "TOTALS - MEMORANDUM ONLY" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "TOTALS - MEMORANDUM ONLY" columns are not comparable to a consolidation.

C. Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. There are some departures from the modified accrual basis for statutory/budgetary purposes. The nature of these departures is such that they affect how operating results are reported, but do not cause a difference in the balance sheet or in the calculation of unreserved fund balance. This is further explained in Note #3.

The modified accrual basis emphasizes the measurement of current financial resources and obligations (i.e., "financial flow" focus). Therefore, fund revenues and other financing sources are recorded when financial resources become "measurable and available" to fund current liabilities; expenditures are recorded when financial obligations (other than general long-term obligations) are incurred.

Note 1 continued on next page.

The proprietary fund types and the pension trust funds use the accrual basis of accounting. The accrual basis emphasizes the measurement of "net income," (i.e., "capital maintenance" focus). Using this basis, revenues are recognized when "earned" and expenses are recognized when "incurred." All financial resources and obligations of a fund, whether current or noncurrent, are recorded in the fund.

The primary effects of the differences in these bases are:

(1) For governmental fund types, most long-term liabilities are reported in the General Long-Term Obligations Account Group rather than as fund liabilities. The proceeds of long-term borrowings result in increases to fund balance because "other financing sources" are credited to the fund. Fund liabilities related to general long-term obligations are recognized when they become "due and payable."

(2) Fixed asset acquisitions are recorded as expenditures of governmental fund types in the year acquired. Such assets are capitalized in proprietary fund types, with depreciation expense recognized over the life of the asset.

(3) In governmental funds, accrued revenue receivables which are not "available" are recorded as deferred revenue. Other noncurrent assets result in reservations of fund balance. Such deferrals and reserves are usually not reflected in proprietary type funds.

D. Fiscal Year-Ends

All funds and component units are reported using fiscal years which end on September 30, except for three component units. Two component units with June 30 year-ends are the Michigan State Housing Development Authority and the Michigan State Hospital Finance Authority, both of which are reported in the enterprise fund group. The Mackinac Bridge Authority (MBA), which is reported in the special revenue and debt service fund groups, has a December 31 year-end. The MBA publishes audited financial statements semi-annually and the amounts reported in its June 30 statements are the amounts reflected in this report.

E. Assets, Liabilities, and Fund Equity

Equity in Common Cash: The State Treasurer maintains centralized management of most State cash resources (not including component units). The operations and investments of the common cash pool are described in Note #5.

Taxes Receivable: Tax revenue is accrued to the extent that it is both measurable and available. Application of the measurability and availability criteria regarding taxes is described in Note #6.

Amounts Due From Federal Agencies: For most federally funded programs revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities, so there is no impact on fund balance.

Inventories: Inventories are valued at cost, primarily using a first-in, first-out flow assumption. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments: Equity securities are stated at cost and debt securities are stated at amortized cost. Additional disclosures describing investments are provided in Note #9.

Note 1 continued on next page.

Property, Plant, and Equipment: General fixed assets are recorded at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time in 1985, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated. Expenditures of the governmental fund types which materially extend the useful life of existing fixed assets are capitalized.

Infrastructure ("public domain") fixed assets such as undeveloped State owned lands, roads, and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not provided on general fixed assets.

Assets of proprietary funds are capitalized at cost upon acquisition and depreciation expense on buildings and equipment is recorded over the expected useful lives of the assets. Depreciation is calculated using the straightline method, except for automotive equipment in the Motor Transportation Revolving Fund (an internal service fund) which is depreciated using the 150% declining balance method.

Additional disclosures related to fixed assets and assets acquired through capital leases are provided in Notes #11 and #16, respectively.

Warrants Outstanding: Warrants outstanding represent drafts issued against the State Treasurer which have not yet cleared. These are somewhat similar to outstanding checks; however, cash is not reduced until the warrant is redeemed.

Income Tax Refunds Payable: The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note #7 explains the significant impact that tax credit programs have on the amounts being accrued.

Deferred Revenue: Deferred revenue is recognized when cash, receivables, or other assets are received or recognized prior to their being earned or available. Unearned revenue deferrals are classified with current liabilities; unavailable revenue deferrals are classified as short-term or long-term based upon whether the related receivable is due within 12 months.

Long-Term Liabilities: General long-term obligations which are not reported as fund liabilities are reported in the General Long-Term Obligations Account Group. The group, which is more fully described in Note #15, includes general obligation and revenue dedicated bonds, capital lease obligations, compensated absences, claims and judgments, workers' compensation, early retirement program, and unemployment compensation fund interest deferral liabilities related to the funds accounted for on the modified accrual basis. Except for capital lease obligations and claims and judgments, fund expenditures are recognized for these obligations when they become "due and payable." The accounting for capital lease obligations is explained in Note #16 and the accounting for claims and judgments is explained in Note #15.

The "Advances from federal agencies" line reports the portion of the federal advance to the Michigan Unemployment Compensation Fund (expendable trust) which is not expected to be repaid within twelve months. Note #17 describes this advance.

Long-term liabilities of the proprietary funds are recognized in the funds, except for the portions of the workers' compensation liability for which fund distribution is not reasonably estimable. The long-term liabilities of these funds are more fully explained in Notes #16 and #18.

Fund Equity: Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance." The fund equity of proprietary funds is called "retained earnings." Contributed capital has not been separately recorded in the proprietary funds because the amounts involved are immaterial.

Fund Balance Reservations: Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for expenditure for the general purposes of the fund. Details related to the make-up of reserved fund balances are reported in Note #23.

As more fully explained in Note #23, certain assets for which the State is acting as a trustee are accounted for in expendable trust funds. These funds' unreserved balances represent net assets held by the State on behalf of others.

Note 1 continued on next page.

F. Revenues, Expenditures, Encumbrances, Expenses, and Other Financing Sources and Uses

Revenues: Revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Revenues of governmental funds that accrue to the State independent of when expenditures are incurred by the State (such as taxes, licenses, and permits) are considered "available" if the payer incurs the obligation to the State before year-end and payment is received within 60 days of year-end. The recording of delinquent taxes receivables is the only significant departure from the above (see Note #6).

Revenues which the State earns by incurring obligations (such as matching federal grants) are generally recognized in the same period that the related obligations are recognized. Such accrued revenue is considered available even if it is not received within 60 days of year-end. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.

Expenditures: Expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental - revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure (e.g. highways). Intergovernmental revenue sharing is used to account for the distribution of certain tax revenues which are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds accounted for in the General Long-Term Obligations Account Group and payments on capitalized leases.

Encumbrances: Encumbrances are commitments related to unperformed (executory) contracts for goods or services. During the fiscal year, agencies may enter all types of encumbrances in the accounting system for spending control purposes. For reporting purposes, encumbrances are recorded only to the extent that spending authority is allowed to be carried forward to the next year.

At year-end, there are limits on the types of accounts and encumbrances that can be recorded. Encumbrances are not recorded against multi-year project (capital outlay and work project) appropriations which do not lapse until project completion. Other encumbrances are recorded only if the encumbrance is for an obligation that was entered into prior to September 16. Encumbrances for services are recorded only if the contract is for a nonrecurring item. Encumbrance contracts for goods that specify delivery after September 30 are not recorded and encumbered amounts in excess of line-item spending authority are not recognized.

The above criteria for recorded encumbrance carry-forwards is more limited, in some respects, than that used in prior years. Formerly, encumbrances were recorded in capital outlay and work project accounts. This change reduced the amount of reserves for encumbrances and increased multi-year project reserves, but had no unreserved fund balance effect. Note #23 provides the amount of encumbrances recorded in the governmental fund types at year-end.

Expenses: Expenses are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale).

Other Financing Sources: These additions to governmental fund balances include resources and financing provided by bond proceeds, capital leases, and operating transfers from other funds.

Other Financing Uses: These are reductions of governmental fund resources, normally resulting from operating transfers to other funds.

G. Interfund Transactions

Operating Transfers: Except as described below, transactions between funds are classified as operating transfers. These include most of the routine transfers of resources between funds, such as when funds received in one fund are used to finance expenditures appropriated in another fund.

Note 1 continued on next page.

Equity Transfers: Residual equity transfers are used to record nonrecurring or nonroutine transfers of equity between funds. During 1986-87, the following equity transfers were made:

The Mackinac Bridge Authority (MBA) redeemed its final outstanding bonds during the year. The balance remaining in the MBA's debt service fund, $.5 million, was transferred to the MBA's special revenue fund.

Effective October 1, 1986, six debt service funds related to certain transportation related revenue dedicated bonds were merged into two new debt service funds. The new Combined State Trunkline Bond and Interest Redemption Fund received equity transfers totaling $.8 million from four funds, whose activities are now all accounted for in the new fund. The new Combined Comprehensive Transportation Bond and Interest Redemption Fund received $15 thousand from two funds which were merged into it.

An equity transfer of $.6 million was made from the General Fund to the Correctional Industries Revolving Fund, an internal service fund. The transfer reflects assets formerly accounted for in the General Fund which are now considered part of the internal service fund.

Reimbursements: The reimbursement method reclassifies an expenditure/expense from the fund originally making a disbursement to another fund to which the expenditure/expense is more properly attributable. The State uses this method primarily in those cases where the administrative costs of enterprise funds and component units are appropriated in the General Fund.

Quasi - External Transactions: Certain interfund transactions are recorded as if they were occurring with an outside entity. This method is most commonly used to report revenues of the internal service funds, pension funds, and certain expendable trust funds. The paying funds report expenditures or expenses, depending upon fund type.

NOTE 2 — FUNDS BY CLASSIFICATION

The following table lists all of the funds and component units which make up the various fund types as of September 30, 1987. Component units which are not considered part of the oversight entity and which are included in the reporting entity pursuant to GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, are identified by "(cu)." Operating funds which are subject to annual appropriation and for which statements comparing budget to actual are included in this report are identified by an "*" (see Note #3).

General Fund*

Special Revenue Funds:

Transportation Related:
- State Aeronautics Fund*
- State Trunkline Fund*
- Michigan Transportation Fund*
- Comprehensive Transportation Fund*
- Comprehensive Transportation Bond Construction Fund
- 1983 State Trunkline Fund Bond Proceeds Fund
- 1984 Comprehensive Transportation Bond Proceeds Fund
- 1984 State Trunkline Fund Bond Proceeds Fund

Conservation and Recreation Related:
- Game and Fish Protection Fund*
- Michigan State Waterways Fund*
- Marine Safety Fund*
- Game and Fish Protection Trust Fund
- State Park Improvement Fund*
- Michigan Natural Resources Trust Fund*
- Water Pollution Control Bond Fund
- Michigan Nongame Fish and Wildlife Fund*

Regulatory and Administrative Related:
- Michigan Employment Security Act - Administration Fund
- Motor Vehicle Accident Claims Fund*
- Safety Education and Training Fund*
- State Construction Code Fund*
- Michigan Justice Training Fund*
- Homeowner Construction Lien Recovery Fund

Note 2 continued on next page.

Other Oversight Entity Funds:

- Counter-Cyclical Budget and Economic Stabilization Fund*
- Michigan Veterans' Benefit (Trust) Fund*
- School Aid Fund*
- Vietnam Veteran Era Bonus Fund
- School Bond Loan Fund
- Children's Trust Fund*

Component Units:

- State Building Authority (cu)
- Michigan Higher Education Facilities Authority (cu)
- Michigan Family Farm Development Authority (cu)
- Mackinac Bridge Authority (cu)

Debt Service Funds:

- Combined State Trunkline Bond and Interest Redemption Fund
- Water Pollution Control Bond and Interest Redemption Fund
- Combined Comprehensive Transportation Bond and Interest Redemption Fund
- Public Recreation Bond and Interest Redemption Fund
- Vietnam Veteran Era Bonus Bond Redemption Fund
- School Loan Bond Redemption Fund
- State Park Revenue Bond Fund
- State Building Authority (cu)

Capital Projects Funds:

- Public Recreation Bond Fund
- State Building Authority (cu)

Enterprise Funds:

State Oversight Entity Funds:

- Liquor Purchase Revolving Fund
- State Lottery Fund
- Michigan State Fair Revolving Fund
- Department of Natural Resources Magazine Fund

Component Units:

- Michigan State Hospital Finance Authority (cu)
- Michigan Higher Education Student Loan Authority (cu)
- Michigan Higher Education Assistance Authority (cu)
- Mackinac Island State Park Commission (cu)
- Michigan Strategic Fund (cu)
- Michigan State Housing Development Authority (cu)

Internal Service Funds:

- Correctional Industries Revolving Fund
- Federal Surplus Revolving Fund
- Motor Transport Revolving Fund
- Office Services Revolving Fund
- Telecommunications Revolving Fund
- State Sponsored Group Insurance Fund

Trust Funds:

Pension Related:

- Legislative Retirement Fund
- State Police Pension, Accident, and Disability Fund
- State Employees' Retirement Fund
- Public School Employees' Retirement Fund
- Probate Judges' Retirement Fund
- Judges' Retirement Fund

Expendable Trust Funds:

- Michigan Unemployment Compensation Fund (cu)
- Michigan Employment Security Act Contingency Fund
- Michigan State Accident Fund (See Note 1A)
- Second Injury Fund
- Municipal Employees' Retirement Fund
- State Employees' Deferred Compensation Fund II (401k)
- Transportation Related Trust Funds
- Miscellaneous Trust Accounts Fund

Agency Funds:

- Receipts Clearing Fund
- Metropolitan Planning Fund
- Contribution Fund (Social Security)
- State Employees' Deferred Compensation Fund I (457)
- School Emergency Loan Revolving Fund
- Hazardous and Solid Waste Disposal Facilities Closure Guarantee Fund
- Insurance Carrier Deposits Fund

NOTE 3 — BUDGETING AND BUDGETARY CONTROL

A. Major Constitutional and Statutory Provisions - Oversight Entity

Balanced Budget: Article V of the State Constitution mandates that the executive budget recommend spending limits per operating fund to the Legislature that are within available resources. Article IV of the State Constitution mandates the Legislature to enact appropriations for a fund that do not exceed that fund's revenue estimates. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is to recommend spending reductions as necessary to avoid a year-end deficit.

Revenue Limits: Article IX, Section 26 of the State Constitution restricts State revenues to a ceiling based upon revenues as a proportion of personal income. It further provides that State revenues (other than federal aid and revenues for payment of principal and interest on general obligation bonds) in any fiscal year are limited to a percentage (approximately 10%) of State personal income in the prior calendar year or that percentage of the average State personal income in the previous 3 calendar years, whichever is greater. If revenues exceed the revenue limitation by 1 percent or more, the entire amount of such excess is to be rebated to personal income and single business taxpayers. Any excess of less than 1 percent may be transferred to the State's Budget Stabilization Fund; however, the Legislature is under no obligation to do so.

The methods and calculations used in determining compliance with this section are under internal review and they will be subject to audit by the Office of the Auditor General. The Department of Management and Budget believes that the revenue ceiling has not been exceeded and the likelihood that refunds will be required is extremely remote.

Local Spending Requirements: Article IX, section 30 requires that State spending to, or on behalf of, local units of government not fall below 41.61% of total State spending. Calculations of the percentage paid in 1985-86 and 1986-87 are not yet complete; however, preliminary calculations indicate that payments to local units exceeded the requirement in both years.

The methods used by the State to measure payments to, or on behalf of, the local units are involved in litigation cases and the State has lost one case at the circuit court level. The State, however, is appealing that case and has been granted a stay. The State believes its position will prevail at the appellate level. If the State does lose, however, it is considered most likely that any remedy would be prospective in nature and therefore no liability or loss provision has been established for this contingency.

Budget Stabilization Fund: The Counter-Cyclical Budget and Economic Stabilization Fund was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. No payments were required into the fund during the year because real economic growth (as measured by Michigan personal income) was less than 2%. Funds can also be withdrawn to fund prison construction and other capital outlay projects.

The following summarizes the changes in the unreserved fund balance of the fund for 1986-87 (in millions):

Beginning balance - unreserved	$358.3
Interest income	24.0
Transfers in	0.0
Transfers out for prison construction	(24.7)
Increase in amount reserved for prison construction	(5.5)
Ending balance - unreserved	$352.0

The reserve for prison construction, which has an ending balance of $32.3 million, represents unspent spending authority for projects appropriated in the General Fund with financing to be provided by the Budget Stabilization Fund. Transfers from the reserve will be made as expenditures occur.

Note 3 continued on next page.

B. Budgetary Control - Governmental Fund Types

A number of different budgetary control processes are used for the various funds and programs within funds. Annual legislative appropriations and revenue estimates are provided only for operating funds. These operating funds include the General Fund and 18 of the special revenue funds. (Note #2 identifies the operating funds.) The other funds are usually subject to some more limited form of budgetary control, such as financial plans or a limiting of expenditures to the amount of resources. The budget to actual comparative statements in this report reflect only the annually budgeted operating funds of the oversight entity.

Revenues: General purpose (unrestricted) revenue estimates are provided in both the original executive budget and in original legislative appropriations in order to demonstrate compliance with constitutional provisions. Public Act 431 of 1984 makes the Department of Management and Budget responsible for updating revenue projections. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

Spending: The level and method of control provided over spending varies significantly between funds and programs. However, most spending authorizations for operating funds are broken down into object categories (e.g., salaries) by organizational subunits (e.g. divisions) of departments. If a department wishes to transfer spending authority from one account to another, it must, generally, receive legislative approval. Expansion of total spending authority usually requires a supplemental appropriation. In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation (carry-back) for the amount overspent.

For programs financed from restricted revenues, spending authorizations are generally contingent upon recognition of the related revenue. If revenues fall short of estimates, related spending authorizations are reduced. If revenues exceed the estimate, supplemental appropriations are usually required before they can be spent.

Budgetary control of spending is maintained by the central accounting system at the appropriation account level. Spending authority accounts are at a level of detail which makes it infeasible to include a comparison of budget to actual at the level of budgetary control in the State's Comprehensive Annual Financial Report. A separate report is published by the Department of Management and Budget detailing the disposition of authorizations at the spending account level.

C. Statutory/Budgetary Presentation

In the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds," expenditures, operating transfers out, and encumbrances are combined and classified by department, rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budgetary process. Generally accepted accounting principles require that the final legal budget be reflected in the "budget" column, therefore the updated revenue estimates as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984 permits budget adjustments by the Legislature through 60 days after year-end.

The expenditures budget column represents original and supplemental authorizations (i.e., appropriations and carry-forwards) as adjusted for carry-backs (i.e., current year appropriations for prior year overdrafts), executive order reductions, approved transfers, restricted revenue adjustments, prior year carry-forward corrections, and timing differences. The timing differences primarily result from authorizations for multi-year projects, such as capital outlay and work projects, which are provided for a period of more than one year. Such authorization balances remaining at year-end are removed from the budget column so as to provide an "annualized" budget. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority which carries over as a reservation of fund balance; "unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

Note 3 continued on next page.

Prior year carry-forward corrections result when, subsequent to year-end, it is found that either spending authority which should have been lapsed was carried forward, or that authority which should have been carried forward was lapsed. For example, agencies may designate accounts as work project carry-forwards and it may be later determined that they have not met the legal requirements for such treatment. When these situations occur, the spending authority ("Budget") in the new year is reduced (or reinstated). Therefore, the amount reflected for spending authority brought forward in the current year will not agree, exactly, with the amount reserved for multi-year projects (see Note #23) in the prior year. The amount of such adjustments is not normally significant. This year, the legal authority for several carry-forwards, which total $21.7 million, is being questioned by the Office of the Auditor General and the Department of Management and Budget. The outcome of the review is uncertain.

D. Statutory/Budgetary Reconciliation - General Fund and Special Revenue Funds

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance:

Encumbrances: As explained in Note #1, the State records encumbrances at year-end only if they meet certain criteria. For budgetary reporting purposes, the recorded encumbrances are included with expenditures and operating transfers in the "Actual" columns because they are considered uses of spending authority in the year the State incurs an obligation. The "Budget" columns include encumbrance authorization balances carried over from the prior fiscal year because they provided spending authority in the current year. In the GAAP basis statements, encumbrances are not included as expenditures. The effect of this difference is reflected as a reconciling item on the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds." The encumbrance of spending authority is recorded as a reservation of fund balance under both bases of accounting.

Capital leases: For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

E. Budgetary Overdrafts

The following summarizes line-item overexpenditures (in thousands) of oversight entity funds incurred during the year:

General Fund	
Legislative	$ 32
Judicial	124
State	49
Treasury	4,940
Education	796
Public Health	1,718
Mental Health	41,551
Social Services	137,111
Corrections	4,379
Military Affairs	306
State Police	1,772
Commerce	5
Labor	279
Licensing and Regulation	191
Natural Resources	775
Agriculture	40
Items Not Assigned to Departments	57
General Fund Total	$194,132
Special Revenue Funds	
Game and Fish Protection Fund	$ 2,443
State Aeronautics Fund	2,199
State Trunkline Fund	1,609
Comprehensive Transportation Fund	300
Special Revenue Funds Total	$ 6,552

NOTE 4 — ACCOUNTING CHANGES

Reclassification of the State Employees' Deferred Compensation Fund I (457)

Effective with the beginning of this fiscal year, the State Employees' Deferred Compensation Fund I (457) was reclassified from the expendable trust fund class to the agency fund class. This change was made pursuant to Governmental Accounting Standards Board Statement 2 which requires that a deferred compensation plan adopted under the provisions of Internal Revenue Service Code section 457 be reported as an agency fund. This change has been reported as a beginning balance restatement.

The effect of this change as of October 1, 1986, was to reduce expendable trust fund current assets ($12.7 million), long-term investments ($456.6 million), and unreserved fund balances ($469.3 million). Agency fund assets were increased by the same amounts and long-term liabilities were increased by the amount which formerly had been classified as fund balance ($469.3 million).

Addition of the Michigan Unemployment Compensation Fund (MUCF)

In prior fiscal years, the Michigan Unemployment Compensation Fund (MUCF) was not included in the State's financial statements because audited financial statements of the MUCF were not available. This year, audited financial statements are available and the MUCF is reported in the expendable trust fund group. This change is in accordance with generally accepted accounting principles and is reflected as a restatement of beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The effect of this change on the fiduciary fund type column of the Balance Sheet as of September 30, 1987 was to increase total assets ($1,395.6 million), current liabilities ($202.8 million), long-term liabilities ($952.6 million), and unreserved fund balances ($240.3 million). The effect of the change on the Statement of Revenues, Expenditures, and Changes in Fund Balances was to increase revenues ($1,235.4 million) and expenditures ($953.6 million). Corresponding amounts for the prior fiscal year are not available.

Insurance Carrier Deposits Fund

This fund was established as an agency fund to account for insurance company deposits held by the State. The effect of this change on the fiduciary fund type column of the Balance Sheet as of September 30, 1987 was to increase total assets and total liabilities by $265.9 million. The amounts of total assets and total liabilities as of September 30, 1986 were $258.7 million.

Change in Pension Funding Assumptions

In prior fiscal years, the State's annual appropriations for contributions to the Public School Employees' Retirement System (PSERS) and State Employees' Retirement System (SERS) were based upon actuarial valuations as of the prior fiscal year. This year, a more current valuation (i.e., September 30, 1986, rather than September 30, 1985) was used. Both the prior valuation method and the current method are in accordance with generally accepted accounting principles. However, the change in application caused a decrease in the amount of expenditures by the various contributing funds. This is explained in more detail in Note #12.

Claims and Judgments

The State is involved in many claims and judgment cases related to highway design and maintenance tort cases for which the State is uninsured. This year, for the first time, the amount ($56.4 million) of losses on such claims in process has been estimated (based upon the number of pending cases and a historical average of the settlement per case) and recorded in the General Long-Term Obligations Account Group (see Note #15). The State is also involved in other tort cases for which the liability is not reasonably estimable.

NOTE 5 — STATE TREASURER'S COMMON CASH

A. General Accounting Policies

The State Treasurer manages the State's common cash pool, which is used by all State funds except certain trust funds and component units. The pooling of cash allows the State Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by State fund, rather, each contributing fund's balance is treated as equity in the pool, which is recorded in separate accounts within the General Fund. Many funds, including the State retirement funds, use their equity in the pool as a short-term investment vehicle. The State Treasurer annually publishes the "Annual Report of the State Treasurer" which includes audited schedules of Common Cash Assets and Equities, Fund Investments by Type of Security, and Investment Earnings.

In the State's Comprehensive Annual Financial Report, the pooled cash is not reported as a separate fund, rather each fund's balance in the pool is reported on the balance sheet on the lines "Equity in Common Cash" or "Liability to Common Cash." Accrued earnings of the pool are recorded as "other assets" in the General Fund and accrued distributions for the quarter ending September 30 are reflected as interfund receivables and payables. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds using the reimbursement method.

Whether a particular fund receives or pays interest on its balances in the pool is determined by statute or administrative policy. If a fund does not receive or pay interest, the General Fund receives or absorbs such charges. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter.

B. Investments and Deposits

The investment authority for the common cash pool is found in P.A. 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States Government, and its agencies; and in prime commercial paper. Certificates of deposits are permitted in financial institutions whose principal office is located in the State of Michigan.

The State Treasurer invests excess cash in short-term investments, mostly prime commercial paper. The Treasurer is not prohibited by law from entering into repurchase agreements, however, the Treasurer did not use these agreements in managing the pool in 1986-87.

Statutes provide for three special State investment programs for which the General Fund is credited (charged) for earnings in excess (under) those achieved by regular pool investments. There have been no principal losses because of these to date. The three programs are as follows:

Emergency Loans to Municipalities: The State Treasurer shall loan not more than a combined total of $5 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Emergency Financial Assistance Loan Board. (As described more fully in Note #8, these loan provisions were amended after September 30, 1987, to allow for loans to Wayne County.)

Agricultural Loan Program: Created in 1985, this program permits the State Treasurer to invest up to $139 million in below market rate certificates of deposits and notes of financial institutions for the purpose of providing the financial institutions with funds to lend, at the financial institution's risk, to qualified farm operations. Repayment to the State by the financial institution is not conditioned upon repayment of the loan to the financial institution by the farmer and loans to financial institutions are fully collateralized. Under this program, rates charged to the financial institutions are set for 90-day periods at 2 percentage points below the 30-day Treasury bill auction rate. All loans to the financial institutions become due under the statute no later than June 30, 1988.

Farm Disaster Relief Program: Created in 1986, this program will operate in conjunction with the Agricultural Loan Program. It permits the State Treasurer to invest an additional $200 million in zero percent rate of interest certificates of deposit and notes of financial institutions for a term of at least 3 years for the purpose of providing the financial institutions with funds to lend to farmers with weather related losses in 1986 at zero percent rate of interest. Repayment to the State by financial institutions must be made after 3 years unless a financial institution can show on an annual basis that the farmer to whom a loan has been made is experiencing financial distress, in which case the State investment may remain outstanding for an additional 7 years.

Note 5 continued on next page.

The following schedule of assets and equities (in millions) is a summary of the common cash pool as of September 30.

ASSETS	1987	1986
Cash on hand	$ .3	$ .2
Demand deposits	116.1	65.4
Time deposits -- regular	61.1	61.3
Time deposits & notes -- Agricultural Loan Program	136.5	132.5
Time deposits & notes -- Farm Disaster Relief Program	144.7	-
Prime commercial paper -- at cost	1,598.9	2,259.3
U.S. Treasury bonds -- at cost	5.1	5.1
Emergency municipal loans -- at cost	12.2	11.2
Total assets	$2,075.1	$2,535.2
EQUITIES		
Fund equities in common cash	$2,218.5	$2,641.1
Fund liabilities to common cash	(154.4)	(117.5)
Imprest cash and other items	11.0	11.6
Net fund equities	$2,075.1	$2,535.2

At September 30, 1987 and 1986, the market value of prime commercial paper was $1,606.8 and $2,268.6 million, respectively and the market value of the U.S. Treasury bonds was $4.8 million and $5.5 million, respectively. Using the GASB categories of credit risk (described in Note #9), all of the investments are in category 1, except for $828.2 million of prime commercial paper which falls in category 2. The category 2 prime commercial paper investments are those where the State's agent is one of the issuing banks for the issuer.

Deposits, including time, demand, and agricultural loan program deposits, are fully insured by the FDIC ($15.5 million) or collateralized with securities held by the State's agent in the State's name ($206.0 million), except for uncollected deposits ($23.9 million).

Of the Agricultural Loan and Farm Disaster Relief program amounts, which total $281.2 million, $68.0 million is categorized as deposits with banks and $213.2 million is categorized with investments (e.g., notes receivable from production credit associations).

NOTE 6 — TAXES RECEIVABLE

In general, taxes receivable represent amounts due to the State at September 30 that were received by the State within approximately 60 days. Sales, use, and income taxes are accrued to the extent that the related sales or wage payments occurred prior to October 1 and the State receives deposits prior to December 1. Annual tax payments (e.g. those filed on an annual basis) have not been accrued because they are neither reasonably estimable nor available. Single business tax revenue is similarly accrued, with receipts through early December (i.e., quarterly filings are due November 30) recognized as revenue to the extent that the activities being taxed occurred prior to October 1. The telephone and telegraph taxes are due December 1 and are received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months, except for the Michigan Unemployment Compensation Fund (expendable trust) which only records taxes received within 60 days as receivables.

Note 6 continued on next page.

Taxes receivable (amounts expressed in millions), as of September 30, consisted of the following:

	FUND TYPES				
	General	Special Revenue	Expendable Trust	1987 Total	1986 Total
Sales & Use Taxes	$ 273.9	$ 164.8	$ -	$ 438.7	$ 405.5
Individual Income Taxes	462.3	-	-	462.3	402.5
Single Business Taxes	430.0	-	-	430.0	399.6
Telephone & Telegraph Taxes	60.8	-	-	60.8	58.2
Motor Fuel Taxes	-	73.3	-	73.3	70.6
Cigarette Taxes	23.7	2.5	-	26.2	22.9
Unemployment Taxes (See note #17)	-	-	156.2	156.2	26.3*
Other Taxes	20.0	18.2	-	38.2	22.4
Penalties and Interest	318.4	-	-	318.4	244.4
Gross Taxes Receivable	1,589.6	258.8	156.2	2,004.6	1,652.9
Less allowance for uncollectibles	(622.6)	(66.2)	-	(688.8)	(577.8)
Less taxes to be received more than 12 months after year end	(30.3)	(3.2)	(2.3)	(35.9)	(47.7)
Current Taxes Receivable	$ 936.6	$ 189.3	$ 153.8	$1,279.8	$1,027.3

*The 1986 "Unemployment taxes" line does not include receivables of the Michigan Unemployment Compensation Fund.

NOTE 7 — TAX EXPENDITURES

Individual Income Tax Credits

The Michigan Income Tax Act allows for tax credits which are applied against the computed individual income tax amount. The property tax and home heating credits may exceed an individual's tax liability and generate a payment to the individual. These credits are accounted for as a reduction of income tax revenue, similar to over withholding refunds.

Calendar year 1987 estimates and 1986 actual return credits are presented in the following table (in millions):

	CALENDAR YEAR	
	1987 Estimate	1986 Actual
Property tax credits		
General homestead	$290.0	$277.8
Senior citizens	270.0	255.6
Farmland preservation	70.0	71.1
Other	12.5	12.2
Subtotal- property tax credits	642.5	616.7
Other credits		
City income tax	32.0	30.0
College contributions	16.0	14.5
Home heating (including federal share)	37.0	36.0
Others	16.7	15.2
Total individual income tax credits	$744.2	$712.4

Of the 1987 estimated credits, $508.7 million has been established as a liability of the General Fund at September 30, 1987 and is included in the "Income Tax Refunds Payable" amount of $646.8 million.

Note 7 continued on next page.

Credits to Businesses for Supplemental Workers' Compensation Benefits

The State reimburses employers for certain supplemental workers' compensation benefits. Most employers receive their reimbursements in the form of single business or insurance premium tax credits, which are recorded as tax revenue reductions. During 1986-87, these reimbursements resulted in revenue reductions totalling $16.9 million, of which $11.4 million were in the form of single business tax credits and $5.5 million were related to insurance company premium taxes.

NOTE 8 — AMOUNTS DUE FROM LOCAL UNITS

Wayne County Receivables

Included in the balance sheet line "Amounts due from local units" are receivables from Wayne County ($105.7 million), some of which are delinquent. The County has not been remitting payments to the State for its share of the costs of certain social service and mental health related programs. All of these receivables are classified as being current (i.e., expected to be collected within the next fiscal year.)

Excluded from "Amounts due from local units" are receivables from Wayne County for certain services provided through February 29, 1984. Under the terms of an agreement between the State and Wayne County, it was agreed to settle disputed amounts that had accumulated over a number of years at $89.5 million. In addition, a long-term repayment schedule was agreed to that included provisions that could result in cancellation of up to $38.56 million of the $89.5 million receivable. In 1982-83, an "allowance for loss" on amounts receivable from local units of government was established for the $89.5 million by a charge to "provision for loss on amounts due from local units."

Under the terms of the agreement, the receivable is scheduled to be repaid in yearly installments. The payment due on July 1, 1988 will be in the amount of $8.55 million; payments due on July 1, 1989 through 1993 will be in amounts of $9.35 million. If Wayne County's expenditures for certain hospitalization services exceed $3.95 million in any county fiscal year the excess amount up to $3.5 million in 1987-88 and $2.4 million in 1988-89 may be used to offset the scheduled debt repayment. For the State fiscal year 1986-87, the scheduled repayment ($8.55 million) was not received. However, if the County becomes current on the agreement, an additional $7.0 million will be offset in 1987-88.

The following table summarizes the status of receivables under the agreement as of September 30 (in thousands):

	1987	1986
Possible Offsets...........	$12,918	$12,918
Long-term Portion..........	44,291	49,382
Current Portion............	6,641	1,550
Gross Receivable...........	$63,850	$63,850

Legislation was passed subsequent to year-end which is designed to increase revenue sources available to the County and ensure the collection of both the current billings and settlement receivables. A number of options will now be available to the County to finance these debts, including issuance of revenue dedicated bonds or borrowing from the State common cash fund under the emergency loan program. If necessary, the State Treasurer has also been authorized to withhold State distributions to the County. The amount of receivables which will be collected within the next 12 months could be significantly affected by events related to the selection and administration of the above options.

Generally accepted accounting principles require that the current portion of the receivable be included in unreserved fund balance, but that any long-term portion be reserved. The amount of Wayne County receivables which can be expected to be recovered during the next fiscal year is subject to the final details of the financing. The State expects that the amount that will be received from the County will at least equal the amount included in these statements as current receivables.

Note 8 continued on next page.

Loans to School Districts

The State has issued general obligation bonds ($20.7 million currently outstanding) to finance a program for making long-term loans to school districts. Proceeds from the sale of bonds are recorded as an "Other financing source" in the School Bond Loan Fund (a special revenue fund) and loans are recorded as expenditures of the fund as they are made. These outstanding loans receivable, which currently amount to $75.3 million of principal and $43.9 million of accrued interest, have not been recorded as fund assets because the fund to which repayments will accrue cannot be accurately determined.

The loans carry variable interest rates and there are no specific timetables for making repayments. Repayments are recorded as revenue in the School Loan Bond Redemption Fund (a debt service fund) because, by statute, repayments are first used to cover debt service requirements of the related bonds. If loan repayments are ever insufficient to cover these requirements, the General Fund is required to cover the deficiency. Excess loan repayments are transferred to the School Bond Loan Fund where they are available for making new loans.

NOTE 9 — DEPOSITS AND INVESTMENTS

A. General Information

This note provides information for all deposits and investments except those of the Common Cash pool which are described in Note #5. The following table summarizes "Investments" as reported on the balance sheet (in millions):

Fund Type	Current Investments	Noncurrent Investments	Total Investments
General Fund	$ -	$ -	$ -
Special Revenue			
Oversight Entity	-	14.9	14.9
Component Units:			
State Building Authority	37.5	1.9	39.5
Other Component Units	7.2	-	7.2
Total	44.8	16.9	61.7
Debt Service			
Oversight Entity	1.4	1.5	2.9
Component Units:			
State Building Authority	118.7	70.3	189.0
Total	120.1	71.9	192.0
Capital Projects			
Component Units:			
State Building Authority	18.1	1.9	20.1
Total	18.1	1.9	20.1
Enterprise			
Oversight Entity:			
State Lottery Fund	27.4	246.2	273.6
Component Units:			
Michigan State Housing Development Authority	241.9	323.9	565.8
Michigan State Hospital Finance Authority	135.2	1,111.8	1,247.0
Michigan Higher Education Assistance Authority	21.7	24.7	46.4
Other Component Units	40.5	68.5	109.1
Total	466.7	1,775.3	2,242.1

Note 9 continued on next page.

Fund Type	Current Investments	Noncurrent Investments	Total Investments
Trust and Agency			
Oversight Entity:			
Pension Trust Funds	2,332.7	11,480.5	13,813.2
Municipal Employees' Retirement Fund	77.5	936.4	1,014.0
State Employees' Deferred Compensation Fund I (457)	-	573.4	573.4
Other Oversight Entity Funds	17.8	301.6	319.5
Component Unit:			
Michigan Unemployment Compensation Fund	1,215.6	-	1,215.6
Total	3,643.8	13,292.0	16,935.8
Total oversight entity funds	2,457.0	13,554.7	16,011.8
Total component units	1,836.6	1,603.4	3,440.0
Total Investments	$ 4,293.6	$ 15,158.1	$ 19,451.8

The GASB's Statement 3 requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them. Investments, in accordance with the statement, are classified into three categories of credit risk, as follows:

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

Because a combining of the disclosures for all of the various funds and component units would not provide a useful description for the various entities involved, the State has chosen to present these disclosures separately for the major entities with investments. Disclosures for the oversight entity have been broken into two basic categories: pension system funds and other funds. Information regarding these deposits and investments was provided by the State Treasurer, who manages these investments.

Information for component units has been excerpted or summarized from the separately issued financial reports for each component unit. Readers interested in more detail regarding particular component units, may wish to obtain the separately issued financial reports.

B. Oversight Entity Investments

Investment Authority and Policies

Investment authority for the State's pension funds and the Municipal Employees' Retirement Fund is found in P.A. 314 of 1965, as amended. This act allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The act has prudence standards and requires that the assets of a retirement system shall be invested solely in the interest of the participants and beneficiaries and be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the state system.

The State Treasurer is also authorized to invest a limited amount of pension funds in the "S & P 500 Futures Contract Market." Such investments were made during the year, however, no such investments were outstanding at year-end.

The investment authority for other funds of the oversight entity is found in their enabling legislations and/or their bond resolutions where applicable. With the exception of deferred compensation plans, which primarily invest in guaranteed investment contracts with insurance companies, the investments of the non-pension funds are comprised mostly of United States government securities.

Note 9 continued on next page.

As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase agreements. These agreements are used, however, for the State Park Revenue Bond Fund, a "fiscal agent" fund which does not participate in the common cash pool. No such investments were outstanding at year-end.

The following table shows the carrying amounts and market values of investments of the oversight entity by investment type and in total (in millions) at September 30, 1987:

	Carrying Amount			
Type of Investment	Pension Trust Funds	Other Oversight Entity Funds	Total	Market Value*
Prime commercial paper..................	$ 2,332.7	$ 77.5	$ 2,410.3	$ 2,422.1
Government securities...................	2,233.6	876.7	3,110.3	3,099.7
Corporate bonds and investment contracts	2,323.2	684.1	3,007.3	2,874.8
Canadian bonds..........................	6.8	-	6.8	5.8
Convertible bonds.......................	13.7	36.7	50.4	52.2
Preferred holdings......................	31.1	4.5	35.6	29.9
Equities................................	5,655.8	501.8	6,157.6	8,634.3
Mortgages...............................	1,216.1	16.9	1,233.0	1,295.6
Total...............................	$13,813.2	$ 2,198.5	$16,011.8	$18,414.9

*In October 1987, the stock market experienced significant declines. However, less than half of the pension trust fund's portfolios was invested in equities. The impact on the total portfolio has been lessened by a subsequent partial recovery in the stock market together with a rise in the value of the fixed income component of the portfolio due to the decline in interest rates. The $17.2 billion market value of the total portfolios of the pension trust funds and the Municipal Employees' Retirement System Fund have experienced a net loss in value of $1.4 billion for the period October 1, 1987 through February 29, 1988. The other oversight entity funds which are primarily invested in fixed income securities experienced a small gain for this period. As of the end of February 1988, the market value of the above portfolios remain in excess of their carrying value.

All of the oversight entity's investments fall into GASB's credit risk category #1, except for $1.5 million of prime commercial paper, which falls into category #2. Additional detail regarding the carrying amount and market value of pension funds is provided in Note #12. Of the other oversight entity funds, the largest holders of investments were the Municipal Employees' Retirement Fund (46%), the State Lottery Fund (12%), and the State Employees' Deferred Compensation I (457) Fund (26%).

The Municipal Employees' Retirement System Fund is classified as an expendable trust fund rather than as a State pension fund, because the State has no obligation for this retirement system beyond acting as the investment fiduciary. Investments ($1,014.0 million) are diversified in a manner similar to the State's own pension funds.

The State Lottery Fund investments ($273.6 million) are all in the form of zero coupon U.S. Treasury bonds. As described more fully in Note #18, these investments are held to provide funding for deferred prize awards.

The State's section 457 deferred compensation plan investments ($573.4 million) are all in the form of guaranteed investment contracts with insurance companies and these are classified with "Corporate bonds and investment contracts" in the preceding table. Additional information on the plan is provided in Note #19.

C. Component Unit Deposits and Investments

The following information is derived from separately issued component unit financial reports:

State Building Authority (SBA)

Deposits - The carrying amount of the SBA's deposits at September 30, 1987 was $4.467 million. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at $4.471 million. Of the bank's balance, $100,000 was covered by federal depository insurance coverage and $4.371 million was uninsured and uncollateralized. Deposits generally total less than $100,000. The deposit total at September 30, 1987 included advance rental payments received on September 30, 1987 from certain projects.

Note 9 continued on next page.

Investments - The State Treasurer, acting as agent, is authorized by the bond resolution to invest surplus monies of the SBA in direct obligations of the U.S. government, obligations unconditionally guaranteed by the U.S. government, certain commercial paper and U.S. government repurchase agreements. The SBA's investments in U.S. government money market funds complies with the bond resolution.

The investments of the SBA at September 30, 1987 are summarized below (in millions):

	Carrying Amount	Market Value
Repurchase agreements	$ 30.2	$ 30.2
U.S. government securities	216.5	216.9
State and local government securities	1.7	1.7
U.S. government money market funds	.2	.2
Total Investments	$248.7	$249.1

All of the investments fall in GASB credit risk category #2, except for the U.S. government money market funds. These are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Michigan State Housing Development Authority (MSHDA)

Statutes authorize MSHDA to invest, at its discretion, funds held in reserve or sinking funds, or monies not required for immediate use or disbursement, in obligations of the State or the U.S. government, in obligations the principal and interest of which are guaranteed by the State or U.S. government, or in other obligations as may be approved by the State Treasurer.

Included in cash and investments of the Authority are funds held in trust for mortgagors with a carrying value of $133.5 million at June 30, 1987.

Investments of the MSHDA at June 30, 1987 were as follows (in millions):

	GASB Category				Total Carrying Value	Market Value
	#1	#2	#3	Not Categorized		
Government securities	$ -	$196.3	$ -	$ -	$196.3	$217.2
Insured mortgage backed securities	-	100.3	-	-	100.3	100.5
Government backed securities	1.0	7.9	86.6	-	95.6	98.9
Investment agreement	-	-	81.1	-	81.1	81.1
Certificates of deposit	66.5	-	-	-	66.5	66.5
Government money market funds	-	-	-	20.7	20.7	20.7
Repurchase agreements	-	5.1	-	-	5.1	5.1
Total Investments	$67.5	$309.8	$167.8	$ 20.7	$565.8	$590.2

The level of risk changes when securities are not held by the Authority or registered in its name. At June 30, 1987, government securities owned by the Authority are on deposit with the Authority's custodial banks. These banks hold these securities by book entry in their fiduciary Federal Reserve accounts for their trust departments. The Authority's ownership of these securities has been identified in the internal records of the banks. Insured mortgage backed securities are held by the Authority's custodial bank in a New York custodial account for the bank's trust department. These securities are registered in the bank's name with internal bank records identifying the Authority's ownership. Government backed securities are held by the custodial bank's trust department in the Authority's name ($7.9 million) and by broker/dealers in their street name for the Authority's account ($87.6 million). The Authority's unsecured investment agreement has been approved by the State Treasurer in compliance with State statutes.

Note 9 continued on next page.

Certificates of deposit were entirely covered by Federal depository insurance or required collateral held by the Authority's custodial bank in their fiduciary Federal Reserve account with the Authority identified as the secured party. Repurchase agreements have been adequately supported by bank government securities deposited in the bank's fiduciary Federal Reserve account with the Authority identified as the buyer.

Michigan State Hospital Finance Authority (MSHFA)

Deposits - The carrying amount of the MSHFA's deposits at June 30, 1987 was $3.71 million and the bank balance was $3.77 million. The entire bank balance was covered by federal depository insurance, or collateral held with the Authority's agent in the Authority's name.

Investments - Investments are restricted to obligations of the State or U.S. government, obligations the principal and interest of which are guaranteed by the State or U.S. government, or certificates of deposit of a bank which is a member of the Federal Reserve System or a savings and loan association which is a member of the Federal Home Loan Bank System. Certain other restrictions as to investments are contained in the bond resolution for each bond issue.

Through arrangement with the State Treasurer, acting as agent, the Authority is permitted to invest all cash which is available on a day-to-day basis. Uncashed drafts are classified as drafts outstanding, therefore, monies available for investment include both demand deposits and drafts outstanding. It is required by the bond resolutions that all money deposited with any depository (excluding deposits held by the State Treasurer) in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured to the extent permitted by law by obligations of the United States or of the State of a market value at all times equal to the amount of such excess deposit.

A portion of the Authority's investments is held in short-term repurchase agreements (that is, a purchase of securities with a simultaneous agreement to resell them in the future at the same price plus a contract rate of interest) with a bank. The Authority's policies for investment transactions involving repurchase agreements are substantially the same as those for all other investments. The U.S. Treasury notes underlying the repurchase agreements are held in a separate account on behalf of the Authority by the Detroit branch of the Federal Reserve Bank of Chicago. All repurchase agreements entered into by the Authority are collateralized by U.S. Treasury notes.

Investments of the MSHFA as of June 30, 1987 were as follows (in millions):

	Carrying Amount	Market Value
U.S. Treasury bills	$ 69.0	$ 67.9
U.S. Treasury notes	857.4	865.9
U.S. Treasury coupon strips	150.5	149.9
Certificates of indebtedness	24.7	24.7
Repurchase agreements secured by U.S. Treasury notes	145.3	145.3
Total Investments	$1,247.0	$1,253.9

All securities were held by MSHFA's agents in the Authority's name (GASB credit risk category #1).

Michigan Higher Education Assistance Authority (MHEAA)

Deposits - At September 30, 1987, the carrying amount of the MHEAA's cash deposits was $48,773 and the bank's balance was $1,871,342. Of the bank's balance, $100,000 was covered by federal depository insurance and $1,771,342 was uninsured and uncollateralized. None was covered by collateral held in the pledging bank's federal reserve account in the Authority's name.

Note 9 continued on next page.

Investments - Investments of the MHEAA as of September 30, 1987 were as follows (in millions):

	Carrying Amount	Market Value
Certificate of deposit	$ 1.2	$ 1.2
Money market funds - government securities	4.1	4.1
U.S. government securities	41.0	40.3
Total Investments	$46.4	$45.7

The certificates of deposit and U.S. government securities were held by the MHEAA's agents in the Authority's name (GASB credit risk category #1). The money market funds are not categorized.

Michigan Higher Education Student Loan Authority (MHESLA)

Deposits - At September 30, 1987, the carrying amount of the MHESLA's cash deposits was $919,227 and the bank's balance was $851,905. Of the bank's balance, $199,688 was covered by federal depository insurance, $584,785 was covered by collateral held in the pledging bank's federal reserve account in the Authority's name, and $67,432 was uninsured and uncollateralized.

Investments - Investments of the MHESLA at September 30, 1987 were as follows (in millions):

	Carrying Amount	Market Value
Investment in money market funds - government securities	$ 3.3	$ 3.3
U.S. government securities	21.3	21.4
Total Investments	$24.7	$24.7

The U.S. government securities were registered and held by the Authority's agent in the Authority's name (GASB credit risk category #1).

Michigan Strategic Fund (MSF)

Deposits - The carrying amount of MSF's deposits at September 30, 1987 was $739,039. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at $808,867. Of the bank's balance, $733,166 was covered by federal depository insurance and $75,701 was uninsured and uncollateralized.

The MSF believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, it evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - The MSF is authorized to invest surplus monies in direct obligations of the U.S. government, obligations unconditionally guaranteed by the U.S. government, certain commercial paper, and U.S. government repurchase agreements. Investments as of September 30, 1987 are summarized below (in millions):

	Carrying Amount	Market Value
U.S. government securities	$17.3	$17.1
Commercial paper	64.0	64.0
Bank cash management funds	2.6	2.6
Total Investments	$84.0	$83.8

All of the U.S. government security and commercial paper investments ($81.3 million) fall into the GASB's risk category #3. The bank cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investments in the funds comply with bond resolution requirements.

Note 9 continued on next page.

Mackinac Bridge Authority (MBA)

At June 30, 1987, the carrying amount of the MBA's deposits was $428,068 and the bank balance was $326,363. Of the bank balance, $121,603 was covered by federal depository insurance and $204,760 was uninsured and uncollateralized. The MBA is authorized to invest in obligations of the U.S. Treasury. At June 30, 1987, the carrying amount of U.S. Treasury bills was $7,241,875 and the market value was $7,278,243. These investments were uninsured, unregistered and held by the Bank's trust department's agent.

Mackinac Island State Park Commission (MISPC)

The carrying amount of MISPC investments at September 30, 1987 was $320,000. This included a $120,000 U.S. Treasury note which had a market value of $138,726 and falls into GASB credit risk category #1. Other investments include certificates of deposit totaling $200,000, of which $100,000 are classified as GASB risk category #1 and $100,000 in GASB risk category #2.

Michigan Unemployment Compensation Fund (MUCF)

Deposits - At September 30, 1987, the carrying amount of the MUCF's bank deposits was $8,876,173, and the bank balance was $17,406,317. Of the bank balance, $500,000 was covered by federal depository insurance, $13,526,735 was covered by collateral held in book entry securities by pledging custodial banks at a Federal Reserve Bank, and $3,379,582 was uninsured and uncollateralized.

Investments - Investments ($1,215.6 million) represents the MUCF's interest, at cost (approximates market), in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. The trust fund is required by statute to invest only in obligations guaranteed by the U.S. government. The MUCF is credited quarterly with trust fund investment earnings only to the extent the Fund's equity in the trust fund exceeds the balance of outstanding advances (see Note #17) made to the MUCF, as computed on a daily basis.

NOTE 10 — MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable (in millions) reported in the enterprise fund group consist of the following:

	Mortgages and Loans Receivable (Gross)	Unloaned Bond Proceeds	Unamortized Discount	Allowance for Possible Losses	Mortgages and Loans Receivable (Net)
Michigan State Housing Development Authority	$ 1,610.3	$ -	$ (5.5)	$ (19.0)	$1,585.8
Michigan State Hospital Finance Authority	2,358.8	(1,142.0)	(43.7)	-	1,173.1
Michigan Higher Education Student Loan Authority	143.2	-	-	-	143.2
Michigan Higher Education Assistance Authority	3.8	-	-	(3.0)	.7
Michigan Strategic Fund	25.6	-	-	(9.0)	16.6
	$ 4,141.8	$(1,142.0)	$ (49.2)	$ (31.0)	$2,919.5

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 1987 of $61.4 million. The Michigan State Hospital Finance Authority unloaned bond proceeds of $1,142.0 million are committed for either future loans or long-term debt requirements. The Michigan Strategic Fund had loan commitments outstanding at September 30, 1987 of $.3 million.

Mortgages are also held as investments by pension and expendable trust funds ($1.2 billion at book) and these are reflected in long-term investments.

NOTE 11 — PROPERTY, PLANT, AND EQUIPMENT

Proprietary Funds

Classification: The following table summarizes, by major class of asset, the recorded costs of fixed assets included in proprietary funds, as of September 30, 1987 (in millions):

Classification	Enterprise Funds	Internal Service Funds
Land	$ 7.4	$ -
Buildings and Equipment	55.5	107.3
Construction in Progress	-	8.0
Total	63.0	115.3
Allowance for Depreciation	(28.0)	(39.4)
Net Property, Plant, and Equipment	$ 34.9	$ 75.9

Depreciation: Depreciation methods and useful life estimates used for buildings and equipment vary between the different funds and component units. The estimated service lives of the respective assets range from 5 to 60 years for buildings and 3 to 20 years for equipment. Several funds and component units in the proprietary and pension trust fund classes do not capitalize and depreciate their fixed assets if the assets are insignificant to their operations.

General Fixed Assets

Changes by Classification: The following table summarizes, by major class of asset, the changes in recorded costs for the General Fixed Assets Account Group (in millions). Additions and deletions generally represent the acquisition and disposal of assets. An exception to this rule is completed construction projects which are reclassified by recording a deletion from construction in progress and an addition to buildings:

Classification	Balance September 30, 1986	Additions	Deletions	Balance September 30, 1987
Land	$ 181.3	$ 4.8	$ 6.2	$ 179.8
Buildings	835.7	168.3	2.7	1,001.4
Equipment	338.6	84.2	44.9	377.9
Total	$1,355.7	$ 257.4	$ 53.9	$1,559.2
Construction in Progress	$ 150.9	$ 103.8	$ 164.7	$ 90.0
Total General Fixed Assets	$1,506.6	$ 361.3	$ 218.6	$1,649.3

Funding Source: The following summarizes the funding source of the investment in general fixed assets as of September 30, 1987 (in millions):

Fund	Investment
General Fund	$1,460.9
Special Revenue Funds:	
Transportation Related	119.7
Conservation and Recreation Related	32.4
Regulatory and Administrative Related	29.8
Mackinac Bridge Authority	1.2
Capital Projects Funds	5.0
Total Investment in General Fixed Assets	$1,649.3

Note 11 continued on next page.

Construction in Progress: The following summarizes the major types of projects included in construction in progress as of September 30, 1987 (in millions):

Type of Project	Estimated Cost	Authorized	Expended
Correctional facilities:			
New prisons........................	$ 976.2	$ 397.2	$ 14.8
Other..............................	55.4	24.2	17.2
Other projects.....................	115.5	111.3	57.9
Totals.............................	$1,147.1	$ 532.8	$ 90.0

In addition to the projects noted above, the State has planned other construction projects which were unfunded as of September 30, 1987. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

NOTE 12 — PENSION BENEFITS

The State of Michigan makes employer contributions to the following pension plans, which are single employer plans except for the Public School Employees' Retirement System. Each is accounted for in a separate fund:

Legislative Retirement System (LRS)
State Police Retirement System (SPRS)
State Employees' Retirement System (SERS)
Public School Employees' Retirement System (PSERS)
Probate Judges' Retirement System (PJRS)
Judges' Retirement System (JRS)

Military retirement benefits for State employees who qualify for National Guard retirement are funded by annual appropriations from the General Fund on a pay-as-you-go basis. The unfunded accrued liability is an immaterial amount in relation to the General Fund.

The Municipal Employees' Retirement System, a pension plan for employees of local governments in Michigan, is presented in the Expendable Trust Fund type. The State's function is administrative in nature, covering the receipt of municipal contributions and the payment of benefits. The State makes no contributions to the plan and has no legal or moral responsibility for funding current or future benefits.

For each plan described below, the Legislature establishes both the extent to which the employer and employees are required to make contributions and establishes the benefit provisions as indicated in the "Description of Plans." The Bureau of Retirement Systems issues more detailed financial reports for each of the plans.

DESCRIPTION OF PLANS

Legislative Retirement System - Plan membership - This plan covers substantially all State legislators, with current active membership at 148. Approximately 158 retirants and beneficiaries are currently receiving benefits, with an additional 39 terminated members having vested deferred benefits. Plan benefits - Members may retire at age 55 with 8 or more years of credited service, or at 55 with specified combinations of full or partial terms of office. Deferred allowance can be vested after 8 years of credited service, with benefits beginning at age 55. The plan has provisions for disability allowances and death in service payments to beneficiaries. Post-retirement medical benefits - Retirants, survivors and deferred vested members are provided paid dental, vision, hearing, hospital and medical coverage. The benefits are funded on the pay-as-you-go basis, with the 1986-87 expense being $.6 million. Funding requirements - Members are required to contribute 9% of current compensation; 7% of compensation for the period 10/1 through 12/31/86. The State's participation is based upon the level-percent-of-payroll method and is provided by the General Fund and a portion of court fees.

State Police Retirement System - Plan membership - The system covers members of the Michigan State Police, with current active membership at 2,180. Approximately 1,079 retirees and beneficiaries are receiving benefits, with an additional 78 terminated members who have vested deferred benefits. Plan benefits - Members may retire with 25 years of service. Deferred benefits are vested after 10 years of service, with benefits beginning at age 50. The plan also provides for duty and non-duty disability retirement, as well as death benefits to beneficiaries. Post-retirement medical benefits - Health insurance coverage is provided for retirees at State expense on the pay-as-you-go basis, amounting to $2.3 million during 1986-87. Funding requirements - The system is non-contributory, with the State's contribution, determined by the level-percent-of-payroll method, provided by the General Fund.

Note 12 continued on next page.

State Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all State employees who are not covered by other systems, and has approximately 63,548 members. Plan benefits - A member may retire after attaining age 55 with 30 or more years of credited service, or after attaining age 60 with 10 or more years of credited service. Members eligible for supplemental benefits may retire at age 51 with 25 or more years of service, or at age 56 with 10 or more years of service. A member may retire early with a reduced retirement allowance after attaining age 55 with 15 or more years of credited service. The plan also has provisions for a vested deferred allowance after 10 years of service, as well as duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees have the option of continuing hospitalization and major medical coverage. The retiree pays 10% of health insurance premiums and the State pays 90% on a pay-as-you-go basis through annual appropriations until age 65 when Medicare takes over and the State pays 100% of the remaining cost. The employer's expense for this purpose in 1986-87 was $31.9 million. The employer also paid $2.7 million in life insurance proceeds under policies covering retirees, spouses and dependents. Funding requirements - The system became non-contributory in 1974. The State's contribution is determined based upon the level-percentage-of-payroll method. The majority of the plan's contributions are provided by the General and Special Revenue Funds.

Public School Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all public education employees except those at six institutions of higher education and some employees of other institutions of higher education who elect coverage by another retirement program. Approximately 278,000 teaching and non-teaching employees are members of the system. Plan benefits - P.A. 91 of 1985 provided for several changes in the PSERS beginning in January 1986. It allows employees to make a one-time irrevocable decision to join a "member investment plan." This option requires employee contributions and provides for early retirement and more liberal retirement benefits. Under the normal plan, a member may retire after attaining age 55 with 30 or more years of service, or at age 60 with 10 or more years of service. An early retirement with reduced benefits is available at age 55 with 15 or more years of service. The plan provides for a deferred allowance with vesting after 10 years, duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees may, under P.A. 91, continue hospitalization and major medical coverage for themselves and an expanded category of beneficiaries. Retirees pay 10% of the health premium until medicare coverages begins at age 65. Beginning in 1985-86, P.A. 91 also requires the State to fund the remaining cost on a prefunding basis (current year expense plus amortization of unfunded prior period costs). Funding requirements - The system became non-contributory in 1974 and remains so except for those employees electing the "member investment plan" option. The State's contribution is determined using the level-percent-of-payroll method. The majority of the plan's employer contributions are provided by the School Aid Fund and the local school district employers.

Probate Judges' Retirement System and Judges' Retirement System - Plan membership - Both are statewide plans which cover substantially all judges and probate judges in Michigan's judicial branch of government. The Probate Judges' Retirement System (PJRS) became a "closed" system on 1/1/83 with probate judges taking office after that date becoming members of the Judges' Retirement System (JRS). The JRS also includes the Governor, Lieutenant Governor, Secretary of State, Attorney General (all elected), Legislative Auditor General, and the Court Administrator. There are 511 active members in the JRS and 62 in the PJRS. Plan benefits - A member of either system may retire after attaining age 60 with 8 or more years of credited service, or at age 55 with 18 or more years of service. To retire at 55, members of the JRS must have 6 years of continuous service prior to retirement. Additionally, members of the JRS may retire at any age if credited with 25 years of service, six of which are continuous up to retirement. Both plans provide for deferred retirement with vesting after 8 years of credited service, as well as disability and death-in-service provisions. Post retirement medical benefits - Non-trial court judges and participating elected officials may choose to have hospitalization and major medical coverage continued, paying 10% of health insurance premiums until medicare coverage begins at age 65. The State's 90% funding of health insurance on the pay-as-you-go basis was a nominal amount because most judges participate in local unit plans. The State also provides for life insurance coverage for retirees, spouses, and children. Funding requirements - members of the JRS contribute between 3 1/2% - 7% of salary. Non-trial judges and elected state officials contribute 5% of salary. Members of the PJRS generally contribute 7% of salary. The State's employer contribution under both plans is based upon the level-percent-of-payroll method and is funded by the General Fund and a portion of court fees.

Note 12 continued on next page.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Market Value of Investments

The table below discloses the carrying value on the balance sheet and market value as of September 30, 1987 of each pension plan's investments. All amounts are in millions.

Systems	Investments Carrying Value	 Market Value
Legislative Retirement System	$ 41.8	$ 44.2
State Police Retirement System	308.1	357.4
State Employees' Retirement System	3,097.1	3,588.7
Public School Employees' Retirement System	10,267.9	11,913.8
Probate Judges' Retirement System	13.6	16.1
Judges' Retirement System	84.7	98.3

Market Value Decline - Subsequent to September 30, 1987, the market value of investments decreased substantially as part of an overall market correction. Should the decline become permanent, the unfunded pension benefit obligation would increase substantially. See Note #9 for additional information.

Asset Valuation - The assets of the pension systems are valued differently for determination of the unfunded pension obligation than for balance sheet purposes (cost). For determining the unfunded pension obligation, the assets of the LRS, SERS, PSERS, PJRS, and the JRS systems are valued at the September 30, 1986 market value adjusted by 20% of the unrealized gains or losses since that date. The SERS, PSERS, PJRS and the JRS adopted this method at 9/30/86 and the LRS adopted it at 9/30/87. SPRS system's assets are valued at their September 30, 1987 market value.

Other Investment Information - No investment in any of the pension plans comprises 5% or more of the net assets available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plan to the State. Additional disclosures on investments are provided in Note #9 and on State Treasurer's Common Cash in Note #5.

FUNDING STATUS AND PROGRESS

Pension Benefit Obligation

The Pension Benefit Obligation is the actuarial present value of credited projected benefits. It measures the present value of pension benefits, adjusted for projected salary and step increases, estimated to be payable in the future as a result of employee service rendered to date. The pension benefit obligation, net assets available for benefits, and unfunded pension obligation are provided to assist readers in assessing funding status on a going-concern basis, assess progress in accumulating assets sufficient to pay benefits when due, and to allow for comparison of the State of Michigan's pension plans with each other and with those of other governmental units.

Historical Trend Information

GASB Statement #5 requires the disclosure of certain ten year historical trend information. At present, only three years of such data is available. In succeeding years, the information will be added as it is accumulated.

Actuarial Cost Methods and Assumptions

Cost methods - The LRS uses the "attained age" actuarial cost method. All other systems use the "entry age" method which allocates a higher percent of the total cost to past service cost ("unfunded actuarial accrued liabilities") and a lower percent to current service costs ("normal cost") than does the "attained age" method. The SPRS's death and disability benefits are funded using a one-year terminal funding method.

Note 12 continued on next page.

The following assumptions were used in the actuarial valuations:

System	Rate of return - Investment of Current and Future Assets	Projected Salary Increases		
		Merit	Seniority	Inflation
	% Compounded Annually	%	%	%
LRS	6.0%***	(Combined 0.5)		4.0
SPRS	8.5	(Combined 7.0)		
SERS	12.0*	(Combined 0.2-5.8)		5.0
PSERS	11.8**	(Combined 0.1-3.5)		5.0
PJRS & JRS	8.0	(Combined 0.5)		6.5

*Graded to 8% over 10 years
**Post 1987 retirants and beneficiaries computed at 8.0%
***6% for funding (7% in 1987-88); 7% for pension benefit obligation

Pre- and post-retirement life expectancies of participants in all systems are based upon the 1971 Group Annuity Mortality Table. Also considered in the valuations were the rates of non-death withdrawal from active service before retirement, rates of disability, and expected retirement ages.
There were no material changes in actuarial assumptions during 1986-87 except those explained below.

Changes and Their Effect on the Unfunded Pension Benefit Obligation

Asset valuation - The asset valuation method has been changed this year for the LRS and the SPRS as mentioned in "Summary of Significant Accounting Policies." This change caused a reduction in the unfunded pension obligation benefit by $951 thousand in the LRS and $49.3 million in the SPRS at 9/30/87.

Benefit provisions - There were no material changes in benefit provisions for the JRS and the PJRS. The SPRS and the LRS retirants' benefits allowance are now based on a higher percentage of final average compensation, the effect of which was to increase the pension benefit obligation by $20.1 million in the SPRS and $10.7 million in the LRS. Effective January 1, 1987, the PSERS adopted an optional employee funded "member investment program" which increased the pension obligation by $835.1 million. The SERS had a one-time early-out retirement, changed to a method which increased final average salary, and now actuarially fund dental and vision benefits instead of continuing the pay-as-you-go method. The effect of these changes was to increase the pension benefit obligation by $697.5 million.

Actuarial assumptions - Two systems had material changes in actuarial assumptions. The SERS changed the projected rate of return on assets from 8% to 12% and reduced the projected salary increases attributable to inflation from 6.5% to 5%. The effect of these changes was to decrease the pension benefit obligation by $753.7 million. The LRS changed the projected rate of return on assets from 6% to 7% which reduced the pension benefit obligation by $7.8 million.

The statutes governing the SERS and the PSERS provide for one or more additional distributions to retirees and retirement allowance beneficiaries on record at the end of each fiscal year if the earnings on plan assets exceed a computed standard. The amount of such liability in each fund is based upon earnings on assets that exceed an 8% return. The September 30, 1987 liability in the SERS is $75.2 million and in the PSERS is $236.9 million.

Date of actuarial valuation - Valuations for all systems are as of 9/30/87. In the PSERS, the pension benefit obligation was based upon an actuarial update using estimation methods rather than a complete actuarial valuation. This was required because the PSERS records could not be modified to accommodate the "Member Investment Plan" in time to be used for the actuarial valuations needed for disclosure.

Note 12 continued on next page.

Pension Benefit Obligation, Net Assets Available for Benefits, and Unfunded Pension Obligation

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Legislative Retirement System						
Pension benefit obligation - noncurrent employees:						
Current retirants and beneficiaries.	$ 26.1	452%	$ 21.5	392%	$ 21.6	413%
Terminated vested participants......	8.0	139	6.5	119	4.9	93
Total..........................	$ 34.1	591%	$ 28.0	511%	$ 26.5	506%
Pension benefit obligation - current employees:						
Member contributions................	$ 2.5	43%	$ 2.1	38%	$ 1.8	35%
Employer financed vested...........	13.7	238	*	*	*	*
Employer financed nonvested.........	2.6	45	*	*	*	*
Total employer financed..........	16.3	283	14.6	266	12.8	244
Total..........................	$ 18.8	326%	$ 16.7	304%	$ 14.6	279%
Pension benefit obligation...........	$ 53.0	917%	$ 44.8	815%	$ 41.2	785%
Net assets (at cost) available for benefits.........................	$ 49.4		$ 43.4		$ 39.2	
Asset valuation adjustment..........	1.0		-		-	
Valuation assets.....................	$ 50.4		$ 43.4		$ 39.2	
Unfunded pension benefit obligation...	$ 2.6		$ 1.4		$ 2.0	

*Information not available.

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
State Police Retirement System						
Pension benefit obligation - noncurrent employees:						
Current retirants and beneficiaries.	$ 147.9	191%	$ 116.8	157%	$ 106.2	153%
Terminated vested participants......	4.3	6	2.8	4	2.2	3
Total..........................	$ 152.2	197%	$ 119.6	161%	$ 108.4	156%
Pension benefit obligation - current employees:						
Member contributions................	$ 4.4	6%	$ 5.1	7%	$ 5.2	7%
Employer financed vested...........	222.8	287	*	*	*	*
Employer financed nonvested.........	35.9	46	*	*	*	*
Total employer financed..........	258.7	334	243.2	328	226.1	326
Total..........................	$ 263.1	339%	$ 248.3	335%	$ 231.3	333%
Pension benefit obligation...........	$ 415.3	536%	$ 367.9	496%	$ 339.7	489%
Net assets (at cost) available for benefits.........................	$ 326.2		$ 276.7		$ 241.2	
Asset valuation adjustment..........	49.3		-		-	
Valuation assets.....................	$ 375.5		$ 276.7		$ 241.2	
Unfunded pension benefit obligation...	$ 39.8		$ 91.2		$ 98.5	

*Information not available.

Note 12 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
State Employees' Retirement System						
Pension benefit obligation - noncurrent employees:						
Current retirants and beneficiaries.	$1,215.6	65%	$ 978.1	56%	$ 947.3	61%
Terminated vested participants......	18.9	1	16.4	1	16.6	1
Total...........................	$1,234.5	66%	$ 994.5	57%	$ 963.9	62%
Pension benefit obligation - current employees:						
Member contributions................	$ 82.5	5%	$ 94.6	5%	$ 95.2	6%
Employer financed vested............	1,471.5	79	*	*	*	*
Employer financed nonvested.........	300.1	16	*	*	*	*
Total employer financed..........	1,771.6	95	1,674.9	97	1,421.7	91
Total...........................	$1,854.1	100%	$1,769.5	102%	$1,517.0	97%
Pension benefit obligation...........	$3,088.6	166%	$2,764.1	159%	$2,480.8	159%
Net assets (at cost) available for benefits.........................	$3,105.2		$2,668.6		$2,349.5	
Asset valuation adjustment..........	297.7		249.4		(109.1)	
Valuation assets......................	$3,402.9		$2,918.0		$2,240.4	
Unfunded pension benefit obligation...	$ (314.3)		$ (154.0)		$ 240.5	

*Information not available.

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Public School Employees' Retirement System						
Pension benefit obligation noncurrent employees:						
Current retirants and beneficiaries.	$ 4,848.4	102%	$ 4,124.6	90%	$3,171.4	75%
Terminated vested participants......	131.1	3	125.1	3	135.9	3
Total...........................	$ 4,979.5	105%	$ 4,249.7	93%	$3,307.2	78%
Pension benefit obligation current employees:						
Member contributions................	$ 709.6	15%	$ 655.3	15%	$ 686.2	16%
Employer financed vested............	5,694.2	120	*	*	*	*
Employer financed nonvested.........	1,092.1	23	*	*	*	*
Total employer financed..........	6,786.3	143	5,620.6	123	5,627.7	134
Total...........................	$ 7,495.9	158%	$ 6,275.9	138%	$6,313.9	150%
Pension benefit obligation...........	$12,475.4	263%	$10,525.6	231%	$9,621.1	228%
Net assets (at cost) available for benefits.........................	$10,178.5		$ 8,890.6		$7,908.1	
Asset valuation adjustment..........	1,002.5		842.2		(348.9)	
Valuation assets......................	$11,181.0		$ 9,732.8		$7,559.3	
Unfunded pension benefit obligation...	$ 1,294.4		$ 792.8		$2,061.9	

*Information not available.

Note 12 continued on next page.

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Probate Judges' Retirement System						
Pension benefit obligation - noncurrent employees:						
Current retirants and beneficiaries.	$ 9.1	195%	$ 8.8	210%	$ 6.7	159%
Terminated vested participants......	.1	2	.2	6	.3	8
Total..........................	$ 9.2	197%	$ 9.0	216%	$ 7.0	167%
Pension benefit obligation - current employees:						
Member contributions................	$ 1.5	31%	$ 1.3	32%	$ 1.3	30%
Employer financed vested............	8.9	192	*	*	*	*
Employer financed nonvested.........	.4	8	*	*	*	*
Total employer financed..........	9.3	200	7.3	175	7.9	188
Total..........................	$ 10.8	231%	$ 8.6	207%	$ 9.2	218%
Pension benefit obligation............	$ 19.9	428%	$ 17.6	423%	$ 16.3	385%
Net assets (at cost) available for benefits.........................	$ 15.0		$ 13.2		$ 11.8	
Asset valuation adjustment..........	1.4		1.1		(.3)	
Valuation assets......................	$ 16.4		$ 14.2		$ 11.4	
Unfunded pension benefit obligation...	$ 3.5		$ 3.4		$ 4.9	

*Information not available.

(Dollar amounts are in millions)	September 30, 1987		September 30, 1986		September 30, 1985	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Judges' Retirement System						
Pension benefit obligation - noncurrent employees:						
Current retirants and beneficiaries.	$ 43.3	133%	$ 35.9	129%	$ 33.9	129%
Terminated vested participants......	2.3	7	1.7	6	1.4	5
Total..........................	$ 45.6	140%	$ 37.6	135%	$ 35.3	134%
Pension benefit obligation - current employees:						
Member contributions................	$ 12.2	38%	$ 11.1	40%	$ 9.6	36%
Employer financed vested............	47.5	146	*	*	*	*
Employer financed nonvested.........	7.6	23	*	*	*	*
Total employer financed..........	55.0	169	44.6	160	40.7	155
Total..........................	$ 67.3	207%	$ 55.7	200%	$ 50.3	191%
Pension benefit obligation............	$ 112.9	347%	$ 93.3	335%	$ 85.6	325%
Net assets (at cost) available for benefits.........................	$ 90.2		$ 75.5		$ 64.2	
Asset valuation adjustment..........	8.0		6.6		(1.9)	
Valuation assets......................	$ 98.2		$ 82.1		$ 62.3	
Unfunded pension benefit obligation...	$ 14.6		$ 11.2		$ 23.3	

*Information not available.

Note 12 continued on next page.

CONTRIBUTIONS

GAAP Funding Requirements and Contributions Actually Made - The actuarially computed contributions required to fund normal costs and to amortize unfunded liabilities are shown compared to the actual funding provided (amounts in millions):

		Employer Contribution			
		Required		Actual	
System	Active Member Payroll	%	Amount	%	Amount
LRS	$ 5.7	31.72%	$ 1.8	36.36%	$ 2.1
SPRS	77.4	25.30	19.6	22.40	17.3
SERS	1,820.8	8.47	154.2	10.75	195.8
PSERS	4,749.9	7.80	370.5	9.31	442.3
PJRS	4.7	15.48	.7	16.21	.8
JRS	31.1	17.92	5.6	18.36	5.7

Changes and their Effect on Required Contributions - The table below discloses the effect on the GAAP required contribution for 1986-87 of the change from valuing assets using book value with 10% per year "smoothing" of realized investment gains and losses, to market, adjusted by 20% of unrealized gains or losses since September 30, 1986, and the effect of new increases in benefit provisions.

Increase (Decrease) in Required Contributions due to Changes
(amounts in millions)

System	To Market Value of Assets	Benefit Provisions
LRS	$ -	$ -
SPRS	-	3.7
SERS	(13.7)	60.3
PSERS	(60.8)	-
PJRS	-	-
JRS	-	-

Actuarial valuation - Previously, the valuation date for all systems was September 30 of the second preceding year. Beginning in 1986-87, PSERS and SERS used the most recent valuations (September 30, 1986) to determine required contributions. This change reduced the GAAP required contributions for 1986-87 by $71.3 million for the PSERS and by $26.2 million in the SERS.

Statutory Funding Requirements - Except for the LRS, the statutes provide for an annual reconciliation process to ensure that contributions to the retirement funds are in accordance with the actuarially computed contributions. These required contributions are determined on a statutory basis which provides for a 50 year amortization of prior service costs in the LRS, SERS, and the PSERS, rather than the GAAP maximum of 40 years. Normally, contribution shortfalls or overages in a given fiscal year will be corrected by special contribution rate adjustments in the second succeeding fiscal year. However, in 1986-87 a correction was made to reflect the reduced requirements caused by the valuation date change mentioned above.

Actual contributions met or exceeded the contributions required by state law except for a deficiency of $2.3 million in the PSERS and $2.2 million in the SPRS.

NOTE 13 — EARLY RETIREMENT PLAN

PA. 3 of 1984 provided for an early retirement incentive program that was available to approximately 3,800 eligible employees in 1984 and 1,964 employees retired under the program. In addition to the basic monthly retirement benefits for which the "80 and out" retirees were eligible, they receive a monthly pension supplement ranging from $240 to $360 until age 62. Accumulated sick leave balances, which are normally paid in a lump sum at retirement, are being spread in equal installments over 60 months. Payments to early retirees are made through the State Employees' Retirement Fund, which is reimbursed for the additional costs through a combination of increases in the pension funding rates and billings for the sick leave payments made.

Note 13 continued on next page.

The present value of future benefits to be paid under this plan, including basic benefits through age 60, is recorded in the State's General Long-Term Obligations Account Group using a discount rate of 8%. Fund expenditures are recognized as the payments become due.

The following payments are required by fiscal year (in thousands):

	Gross Liability	Present Value
1987-88	$17,033	$16,378
1988-89	13,552	12,048
1989-90	8,665	7,122
1990-91	6,158	4,679
1991-92	4,127	2,413
1992-1997	3,868	2,899
Total	$53,406	$45,542

NOTE 14 — COMPENSATED ABSENCES

Plan Descriptions:
Employees receive a 100% termination payment of unused annual leave (vacation time) upon separation based upon the employee's final rate of pay. The maximum amount of leave that employees can accumulate varies with seniority, generally ranging between 240 and 300 hours.

Termination payments for accumulated sick leave balances are made only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours. There is no restriction on the amount of sick leave that can be accumulated.

Accounting Policy:
The State has accrued liabilities for compensated absences as required by the GASB. Annual leave is valued at 100% of the unused balance and sick leave is valued at 0 to 50%, as explained above. The pay rates in effect as of October 1, 1987 are used in these valuations. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are recorded in the General Long-Term Obligations Account Group, unless the liability is "due and payable" at year-end (i.e., liabilities are recognized in the year the employee leaves State service). The amount "due and payable," is included in the "Accounts payable and other liabilities" line.

The following table summarizes compensated absences liabilities as of September 30, 1987 (in millions):

FUND GROUP	ANNUAL	SICK	TOTAL
Enterprise	$ 2.7	$ 4.2	$ 6.9
Internal Service	1.0	1.3	2.3
General Long-Term Obligations	145.7	183.3	329.0
	$149.4	$188.9	$338.4

NOTE 15 — GENERAL LONG-TERM OBLIGATIONS

A. Bonded Debt

General Obligation Debt

Article 9, Section 15 of the 1963 State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues except School Loan Bonds, where only the excess of requirements over loan repayments is provided. General obligation bonds are backed by the full faith and credit of the State.

Revenue Dedicated Debt

Oversight Entity - Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State's general credit does not support such issues.

Component Units - Governmental - Revenue bonds have been issued by the State Building Authority to acquire and/or construct various facilities for use by the State or institutions of higher education. These bonds are obligations of the authority and do not constitute direct general obligations of the State. The debt requirements of the bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

The Mackinac Bridge Authority (MBA), which formerly had revenue bonds reported in the General Long-Term Obligations Account Group, called its final bonds ($.8 million) on July 1, 1986. The debt requirements of the MBA bonds were financed through Authority revenues and annual transfers from the Michigan Transportation Fund.

Note #18 provides disclosures regarding the long-term debts of the funds and component units in the enterprise fund type.

General obligation and revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30, 1987 (expressed in millions) are as follows:

GENERAL OBLIGATION DEBT	AMOUNTS ISSUED	OUTSTANDING 9/30/87	MATURITIES FIRST YEAR	MATURITIES LAST YEAR	AVERAGE INTEREST RATE PERCENTAGE
School Loan Bonds:					
Series IV	$ 20.0	$ 5.2	1980	1989	4.60
Series V	14.0	8.0	1986	1989	9.83
Series VI	7.5	7.5	1988	1995	5.92
Water Pollution:					
Series II	15.0	3.0	1980	1990	5.99
Series III	50.0	24.0	1979	1999	4.43
Series IV	80.0	24.0	1973	1999	4.34
Series V	7.0	3.0	1986	1988	4.07
Series VI	70.0	18.0	1974	1998	4.56
Series VII	50.0	15.0	1975	1993	4.34
Series VIII	33.0	33.0	1987	1994	9.15
Public Recreation:					
Series V	11.0	2.0	1979	1989	4.60
Vietnam Veteran Bonus Series I-III	190.0	15.0	1976	1989	5.23
TOTAL GENERAL OBLIGATION DEBT	547.5	157.7			

Note 15 continued on next page.

REVENUE DEDICATION DEBT	AMOUNTS ISSUED	OUTSTANDING 9/30/87	MATURITIES FIRST YEAR	MATURITIES LAST YEAR	AVERAGE INTEREST RATE PERCENTAGE
Oversight Entity:					
State Park Revenue Bonds Series I-VIII	19.1	8.4	1963	1996	5.78
Tax Dedicated Bonds:					
Michigan Comprehensive Transportation:					
Series A	106.2	70.7	1980	2009	8.09
Series 1985 (Series B Refunding)	57.8	52.8	1985	2011	8.53(1)
Series 1986 (Refunding)	103.5	98.7	1986	2014	7.65
State Trunkline Fund Bonds:					
Series 1983	135.0	52.7	1987	1995	9.65
Series 1984	50.0	23.8	1987	1995	9.53
Series 1986 (Refunding)	105.6	104.9	1987	1999	7.34
TOTAL REVENUE DEDICATED DEBT - OVERSIGHT	577.4	412.2			
Component Units - Governmental Types:					
State Building Authority:					
1979 Revenue Bonds - Series I	89.4	68.8	1982	1999	6.36
1982 Revenue Bonds - Series II	21.0	16.5	1983	1995	8.46
1984 Revenue Bonds - Series I	104.9	104.3	1987	2001	9.38
1985 Revenue Bonds - Series I	4.3	3.6	1986	1996	6.75(2)
1986 Revenue Bonds - Refunding Series I	271.0	266.8	1987	2004	7.03
1986 Revenue Bonds - Refunding Series II	39.7	39.7	1990	2001	6.84
1986 Revenue Bonds - Refunding Series III	105.3	100.2	1987	1999	6.43
1987 Revenue Bonds - Series I	77.3	77.3	1988	2001	5.52
1987 Revenue Bonds - Series II	101.3	101.3	1988	2001	6.70
TOTAL REVENUE DEDICATED DEBT - COMPONENT UNITS - GOVERNMENTAL	814.3	778.8			
TOTAL REVENUE DEDICATED DEBT	1,391.7	1,191.0			
TOTAL GENERAL OBLIGATION AND REVENUE DEDICATED DEBT	$1,939.2	$1,348.7			

(1) The Series 1985 Michigan Comprehensive Transportation tax dedicated bond issue included capital appreciation bonds ("zero coupon") with an ultimate maturity value of $68.2 million. These bonds are recorded in the amount of $10.0 million, which was the present value at the time of their issue. These bonds mature in the years from 1995 to 2011. The funding for the debt service on these bonds will be provided as they mature. Accrued interest payable on the debt is not recorded as a liability and interest expenditures will be recorded as the bonds are redeemed.

(2) The interest rate for the State Building Authority's 1985 Revenue Bonds is a variable rate calculated as 85 percent of "Bond Buyer Index for 11 General Obligation Bonds" set each December 15 and June 15 for the succeeding six-month periods January 1 to June 30 and July 1 to December 31, respectively. At September 30, 1987, the effective interest rate is 5.79%.

Advance Refundings and Defeasances

The State has defeased certain revenue dedicated bonds by placing the proceeds of new bonds (i.e., the "refunding" bonds in the preceding table) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

Note 15 continued on next page.

The following table summarizes the defeased bonds outstanding at September 30, 1987 (in millions):

	Amount outstanding
Michigan Comprehensive Transportation:	
Series 1979 A (partial)	$ 12.2
Series 1981 B	46.4
Series 1984	58.5
Total	$117.1
State Trunkline Fund Bonds:	
Series 1983	$ 66.4
Series 1984	20.4
Total	$ 86.9
State Building Authority	
1982 Series I	$ 90.6
1982 Series III	237.9
Total	$328.6

During the fiscal year, there were no additional refundings or defeasances of General Long-Term Obligation Account Group bonds. Subsequent to year-end, however, the State issued $105.1 million of Michigan Comprehensive Transportation refunding bonds, which were used to defease the Series 1985 bonds and additional Series 1979 A bonds. The amounts reported in this group reflect the prior bonds.

The following table summarizes debt service requirements for outstanding bonds (in millions):

	OVERSIGHT ENTITY					STATE BUILDING AUTHORITY
	GENERAL OBLIGATION		REVENUE DEDICATED			
FISCAL YEARS ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL PRINCIPAL AND INTEREST	PRINCIPAL
1988	$ 28.5	$ 8.3	$ 16.1	$ 30.7	$ 83.7	$ 31.6
1989	26.2	6.6	17.3	29.6	79.7	36.1
1990	19.0	4.9	18.2	28.3	70.6	45.3
1991	14.0	3.9	19.5	26.9	64.4	47.3
1992	14.0	3.1	20.9	25.4	63.5	50.0
1993-2015	56.0	5.6	320.0	253.7	635.4	568.1
Total	$157.7	$ 32.7	$412.2	$394.8	$997.6	$778.8

Interest is not presented in the table above for the State Building Authority because the bonds are callable and it is expected that most will be called prior to the final scheduled maturity date. Therefore, including interest would overstate expected requirements. The retirement of the State Building Authority bonds will vary from project to project, as each bond issue is related to a specific project. In addition, some of the bonds of the State Building Authority carry variable interest rates.

B. Other General Long-Term Obligations

Capital Leases - Capitalized lease liabilities and a lease refinancing arrangement which occurred during the fiscal year are described in more detail in Note #16. The leases are attributable to operations of the General Fund and two special revenue funds (the State Trunkline Fund and Michigan Employment Security Act - Administration Fund).

Unemployment Compensation Borrowing Interest Liability and Compensated Absences - Details regarding these are provided in Note #17 and #14, respectively.

Note 15 continued on next page.

Claims and Judgments - The liability for claims and judgments includes projected amounts payable for workers' compensation claims, settled lawsuits with long-term payment provisions, and an allowance for litigation losses. The gross amount of workers' compensation liability ($72.0 million) has been discounted and recorded at discounted present value ($51.9 million). Settled lawsuit liabilities ($4.0 million) relate to a 1976 case which required annual payments through 1987-88.

The allowance for estimated liability for litigation losses ($126.4 million) includes projections for highway related negligence cases based upon historical loss ratios. It also includes amounts for other litigation where it is considered more than a reasonable possibility that a loss may be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. It should be stressed, however, that the State continues to vigorously contest all of these cases and that the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

Fund expenditures for workers' compensation and settled law suits with long-term repayment provisions are recognized on the "due and payable" basis. Other litigations losses are recognized as fund liabilities in the year of settlement, except that cases settled shortly after year-end are recognized as fund liabilities using a sliding materiality scale that increases from recognizing all losses in early October to recording only settlements in excess of $1.5 million after November 30.

Early Retirement Benefits - The State's early retirement program is described in Note #13.

Unrecorded Limited Obligation Debt - Certain State component unit financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 1987, the MHEFA had bonds outstanding of $66.3 million. The Michigan Family Farm Development Authority (MFFDA) issues these types of bonds to foster the development of new farm operations. As of September 30, 1987, the MFFDA had bonds outstanding of $4.7 million.

The Michigan Municipal Bond Authority (MMBA) was created in 1985-86 to assist local units of government in reducing their short-term and long-term financing costs. The MMBA pools the borrowing needs of various units and issues limited obligation debt. The debt is later converted to local unit obligations or the proceeds are used to make loans to local units. Any unloaned proceeds or investments, as well as loan repayments by the local units, related to these borrowings are placed with outside trustees. Repayments on the borrowings of the MMBA will be made only from local unit loan repayments, unloaned proceeds and related investment earnings, or future revenues of the local units which may have been pledged as backing for their individual borrowings. Pledged revenues of the local units can include revenues from State sources, including distributions of State shared revenues, as well as other local sources such as property taxes. During 1986-87, the MMBA issued $347.1 million of short-term notes and $692.0 million of bonds. The unloaned amounts with trustees at September 30, 1987 was $311.5 million; loans outstanding to the local units total $458.2 million.

Note 15 continued on next page.

C. Changes in General Long-Term Obligations

Changes in general long-term obligations (in millions) for the year ended September 30, 1987 are summarized as follows:

	GENERAL OBLIGATION DEBT	REVENUE DEDICATED DEBT - OVERSIGHT ENTITY	REVENUE DEDICATED DEBT - COMPONENT UNITS - GOVERNMENTAL	CAPITAL LEASE OBLIGATIONS
Bonds and Capital Lease Obligations:				
Balance - Beginning........................	$198.0	$432.9	$617.0	$ 54.8
Adjustments to beginning balance.........	-	-	-	30.3
New bond issues/capital lease additions..	-	-	178.7	12.2
Bond principal retirements/capital lease payments and deletions...........	(40.3)	(20.6)	(16.9)	(22.6)
Balance - Ending......................	$157.7	$412.2	$778.8	$ 74.8

	UNEMPLOYMENT COMPENSATION DEFERRED INTEREST	COMPENSATED ABSENCES LIABILITIES	CLAIMS AND JUDGMENTS	EARLY RETIREMENT BENEFITS
Other obligations:				
Balance - Beginning.................	$ 40.6	$307.3	$ 55.7	$ 61.6
Net increase (decrease) in estimated liabilities........	-	21.7	74.4	(16.1)
Accounting change for estimation of litigation losses (Note #4)..	-	-	56.4	-
Elimination of portion of settled judgments attributed to fiscal year 1986-87..........	-	-	(4.2)	-
Payments on deferred interest........................	(25.5)	-	-	-
Balance - Ending...............	$ 15.1	$ 329.0	$182.3	$ 45.5

NOTE 16 — LEASES

The State leases various assets under noncancelable leasing arrangements. Leases which constitute rental agreements are classified as "operating" leases and the resulting expenditures are recognized as incurred over the lease term. Leases which are, in substance, purchases are classified as "capital" leases and the resulting assets and liabilities are recorded at lease inception. For capital leases in governmental funds, "other financing sources" and "expenditures" are also recorded at lease inception. Then, subsequent lease payments are recorded as "debt service" expenditures. (As explained in Note #3, for budgetary purposes lease payments are only reported as expenditures when paid.)

Most leases have cancellation clauses with 1-6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote.

Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered almost certain that the option will be exercised. Some lease agreements include escalation clauses or other contingent rentals. Escalation clauses and contingent rentals are not considered in determining minimum lease payments.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Note 16 continued on next page.

Effective March 31, 1987, the State entered into a refinancing arrangement involving data processing leases and the State telecommunications system. As part of the arrangement, a third party bought out several existing data processing leases and purchased the telecommunications system. In return, the State agreed to lease the data processing and telecommunications equipment from the third party. This new lease has been classified as a capital lease and the related obligations and assets have been recorded in the affected account groups and funds. No gain or loss was recognized on the refinancing of the data processing leases, all of which are related to the General or State Trunkline (special revenue) Funds. A gain of $540.0 thousand, of which $501.4 thousand has been deferred, on the refinancing of the telecommunications equipment was recorded in the Telecommunications Revolving Fund (internal service).

Governmental Fund Types

Rental expenditures incurred under operating leases totalled $39.1 million during fiscal year 1986-87. Payments for capital lease principal and interest totalled $19.6 million and $6.4 million, respectively.

A summary of the noncancelable operating and capital leasing commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1988	$24.6	$19.6	$ 6.1	$ 25.7
1989	19.0	15.6	4.6	20.2
1990	14.8	10.1	3.3	13.5
1991	9.1	6.5	2.7	9.2
1992	4.5	2.5	2.2	4.8
1993-1997	7.6	9.8	7.6	17.5
1998-2002	.8	6.7	3.7	10.4
2003-2007	.2	3.7	.6	4.4
Total	$81.0	$74.8	$31.3	$106.1

All of the above capital leases are related to governmental fund operations and the total $74.8 million of capital lease principal is recorded as part of the General Long-Term Obligations Account Group.

The historical cost of assets acquired under capital leases included in the General Fixed Assets Account Group at September 30, 1987 follows (in millions):

Buildings...............	$ 63.1
Equipment...............	90.1
Total................	$153.3

Proprietary Fund Types

Rental expense incurred under operating leases totalled $2.0 million during fiscal year 1986-87.

Noncancelable operating lease commitments to maturity total $8.2 million and extend through fiscal year 1996-97. Capital lease commitments, including imputed interest, total $23.8 million and extend through fiscal year 1993-94.

All capital leases are for buildings and equipment related to Liquor Purchase Revolving Fund (enterprise), State Lottery Fund (enterprise), Office Services Revolving Fund (internal service), and Telecommunications Revolving Fund (internal service) operations and are recorded as fund assets and liabilities.

NOTE 17 — UNEMPLOYMENT COMPENSATION DEBT

Advances from Federal Agencies

As of September 30, 1986, the Michigan Unemployment Compensation Fund (MUCF) had a liability to the federal government of $1,287.0 million for amounts borrowed to pay unemployment compensation. As of September 30, 1987, the debt had been reduced to $1,120.6 million. The debt principal is being repaid to the federal government using regular unemployment tax receipts. On the balance sheet, the portion expected to be repaid within 12 months ($168.0 million) is classified as a current liability which is included in the "Accounts payable and other liabilities" line. The amount expected to be outstanding at September 30, 1988 ($952.6 million) is reported as a long-term liability on the "Advances from federal agencies" line. These transactions are recorded in the MUCF, which is a component unit included in the expendable trust fund group.

Currently, none of the federal advance is interest bearing; however, as explained in Note #9, the outstanding advance balance does reduce earnings on the MUCF's equity in a U.S. Treasury trust fund.

Deferred Interest

In prior years, part of the federal advance was interest bearing. Interest payments are the responsibility of the State, not the MUCF. The federal government has allowed the State to defer payments on this liability, according to the following schedule (in millions):

Due Date	Amount
9/30/88	$12.8
9/30/89	2.3
	$15.1

This liability is recorded in the General Long-Term Obligations Account Group. Normally, the State does not recognize liabilities for accrued interest on general long-term debt until it becomes "due and payable." This liability, however, was recorded because of its unusual nature and size.

A special tax surcharge, known as the solvency tax, was imposed on certain employers in the State of Michigan for the purpose of payment of the interest and to help fund a major contribution and payment automation project. The solvency tax collections are deposited into the Michigan Employment Security Act Contingency Fund, an expendable trust fund reported on in these financial statements. The State remains liable for interest payments, in the event that the trust fund's assets are insufficient.

The fiscal year-end balances (in millions) in the contingency fund were: taxes receivable $12.8; cash and other assets $35.1; deferred revenues $12.8; fund balance $29.5. The deferred revenues resulted from employers electing to spread their incurred tax liability over a period of four years, with equal installments due in April of each year. Employers were provided this option by P.A. 247 of 1983.

NOTE 18 — BONDS, NOTES, AND LOTTERY PRIZE AWARDS PAYABLE - ENTERPRISE FUND GROUP

Lottery Prize Awards Payable

The State Lottery Fund makes long-term prize awards for certain of its games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 6% to 8%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's common cash pool.

Note 18 continued on next page.

The present value of future payments for unpaid prize awards payable as of September 30, 1987 is summarized as follows (in millions):

Twelve months ending September 30:	
1988	$ 42.4
1989	32.7
1990	32.7
1991	32.7
1992	32.7
1993 through 1997	157.6
1998 through 2002	150.2
2003 through 2007	91.2
2008 through 2012	3.7
2013 through 2017	3.2
Later years	6.6
Total	586.2
Less unamortized discount	(260.6)
Total at present value	$ 325.6

Public Act 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket revenue shall be allocated for prize awards. The prize structure for certain games being played exceeded this percentage; accordingly, additional amounts have been allocated for prize awards. The amount approximated $41.8 million in fiscal year 1986-87. More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared quarterly.

Bonds and Notes Payable

All of the bonds and notes payable in the enterprise fund group are legal obligations of component units and they are not general obligations of the State. The following table summarizes bonds (net of discounts) and notes payable by component unit (in millions):

	MSHFA	MHESLA	MISPC	MSF	MSHDA	TOTAL
Notes Payable	$ -	$ 98.3	$ -	$ -	$ 30.0	$ 128.3
Bonds Payable	2,358.8	25.0	.4	21.5	1,822.6	4,228.4
Total	$2,358.8	$ 123.3	$ .4	$ 21.5	$1,852.6	$4,356.8

The following briefly describes these debts, which are more fully explained in each unit's separately issued financial statements:

Michigan State Hospital Finance Authority (MSHFA) - The bonds of this authority are limited obligation bonds which carry interest rates ranging from 3.9% to 16.13%. The bonds are repayable solely from loan repayments, investment earnings, and retained bond proceeds. The following table summarizes the debt service requirements of this authority as of its year-end of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1987-88	$ 52.7	$ 177.0	$ 229.8
1988-89	50.3	173.1	223.4
1989-90	46.9	169.4	216.4
1990-91	50.9	165.9	216.9
1991-92	51.8	147.0	198.9
Total five years	252.9	$ 832.6	$1,085.5
Five years ending June 30, 1997	437.6		
Ten years ending June 30:			
2007	928.7		
2017	783.7		
	2,403.1		
Less unamortized discount	(44.2)		
Total principal	$2,358.8		

Note 18 continued on next page.

Michigan Higher Education Student Loan Authority (MHESLA) - As of September 30, 1987, the debts of this authority included: revenue bonds of $25.0 million maturing in 1988-89, which carried stated interest rates of 8%, and a collateralized promissory note for $98.3 million, which has a variable interest rate, with interest paid quarterly and principal due no later than July 2000.

Not included in the statements as liabilities are $55.0 million of bonds and $50.0 million of notes which were defeased in prior years. Qualified investments have been placed in irrevocable trust with outside trustees to provide for all future debt service on these debts.

Mackinac Island State Park Commission (MISPC) - The commission's bonds are revenue bonds which carry an average interest rate of 7.89%. Annual principal and interest maturities for the next five years range from $64.8 thousand for 1987-88 to $63.9 thousand in 1991-92; debt service requirements after 1991-92 total $392.9 thousand, with the final payments due in 1997.

During the year, the MISPC defeased $305.0 thousand of bonds outstanding which resulted in the recognition of an accounting loss of $76.9 thousand. This was financed by a $405.0 thousand refunding bond issue, with the proceeds being placed with an escrow agent. Because the refunding bonds carry a lower interest than the defeased bonds, an economic gain (i.e., present value of future payments) of $22.0 thousand resulted. The amounts reported as bonds payable in these statements do not include the balance outstanding on the defeased bonds.

Michigan Strategic Fund (MSF) - The bonds of this entity are limited obligation revenue bonds, which carry an average interest rate of 11.5%. The bonds are repayable solely from loan repayments, investment earnings, and distributions of the Michigan Natural Resources Trust Fund. The following table summarizes the principal and interest requirements on these bonds (in millions):

Fiscal Year	Principal	Interest	Total
1987-88	$ 2.5	$ 2.5	$ 5.0
1988-89	2.1	2.2	4.3
1989-90	1.9	1.9	3.8
1990-91	1.9	1.7	3.6
1991-92	1.8	1.5	3.3
1992-1994	10.9	2.3	13.2
Total	$ 21.5	$ 12.1	$ 33.6

The MSF also issues industrial development revenue bonds which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

Michigan State Housing Development Authority (MSHDA) - The $30.0 million of notes payable were issued under a revolving credit agreement to provide temporary financing for construction projects. The notes carry a variable interest rate set at 62% of the prime rate. The amount outstanding on June 30, 1987 matured on October 1, 1987.

The bonds of this authority are revenue bonds which carry effective interest rates ranging from 5.74% to 13.99%. The following table summarizes principal and interest requirements for the next five years as of MSHDA's fiscal year-ends of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1987-88	$ 45.7	$ 141.4	$ 187.1
1988-89	48.3	138.2	186.6
1989-90	50.8	134.9	185.8
1990-91	53.4	131.3	184.8
1991-92	57.2	127.4	184.7
Total five years	255.7	$ 673.4	$ 929.2
1992-2023	1,591.0		
	1,846.8		
Less unamortized discount	(24.1)		
Total principal	$1,822.6		

Because many of the bonds are expected to be called prior to maturity, interest is not presented beyond five years.

Note 18 continued on next page.

In 1985 the legislature authorized the MSHDA to issue up to $400,000,000 of limited obligation bonds to finance multi-family housing projects. Such bonds and notes are not general obligations of the authority but are secured solely by revenues and property derived from or obtained in connection with the housing projects. Thus, these bonds are not reflected as liabilities in either the financial statements or the above table. At June 30, 1987, limited obligation bonds had been issued totaling $175.5 million.

NOTE 19 — DEFERRED COMPENSATION PLANS

Section 457 Plan:

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The State (employer) does not make any contributions to the fund. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

This deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund I (457), an agency fund, which is administered by the Department of Civil Service. Employee contributions, which are made by payroll deduction, are recognized as increases in fund assets and liabilities. Benefits are recognized as decreases in fund assets and liabilities when paid. The fund is primarily invested in guaranteed investment contracts with insurance companies which are valued at cost plus accrued interest. Short-term investments are held in the common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Section 401k Plan:

Beginning July 1, 1986, the State initiated a deferred compensation plan in accordance with Internal Revenue Code Section 401k. The plan permits employees to defer a portion of their salary until future years. The State (employer) does not make any contributions to the fund. The deferred compensation is not available to employees until termination, retirement, death, financial hardship, or attainment of age 59 1/2. The plan also includes a loan provision. Unlike the section 457 plan, this plan's assets are not subject to the claims of the State's general creditors.

This deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund II (401k), an expendable trust fund, which is administered by the Department of Civil Service. Employee contributions, which are made by payroll deduction, are recognized as revenue of the fund. Benefits are recognized as expenditures when paid. The fund is primarily invested in guaranteed investment contracts with insurance companies which are valued at cost plus accrued interest. Short-term investments are held in the common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan. The fund balance of the plan represents net assets available for plan benefits.

NOTE 20 — INTERFUND RECEIVABLES AND PAYABLES

In the following table, the most significant current interfund receivable and payable balances are listed by individual fund. Other funds' balances are shown in total for each fund type. On the balance sheet these balances are presented as "Amounts due from other funds" and "Amounts due to other funds." Not included in the table below are long-term interfund receivables and payables, which totaled $7.0 million on September 30, 1987. These long-term items are classified on the balance sheet as interfund advances.

GOVERNMENTAL FUND TYPES	INTERFUND RECEIVABLES (In Thousands)	INTERFUND PAYABLES (In Thousands)
General Fund	$ 20,597	$ 38,778
Special Revenue Funds:		
State Trunkline Fund	28,557	483
Michigan Transportation Fund	1,942	31,976
Comprehensive Transportation Fund	8,273	33
1984 Comprehensive Transportation Bond Proceeds Fund	300	-
Michigan Natural Resources Trust Fund	1,932	-
Michigan Employment Security Act - Administration Fund	-	353
Counter-Cyclical Budget and Economic Stabilization Fund	6,288	-
Michigan Veterans' Benefit (Trust) Fund	394	-
State Building Authority	455	6,147
Other Special Revenue Funds	1,578	145
	49,722	39,140
Debt Service Funds:		
State Building Authority	5,733	4,420
Other Debt Service Funds	13	2
	5,747	4,422
Capital Projects Funds - State Building Authority	-	12,593
PROPRIETARY FUND TYPES		
Enterprise Funds:		
State Lottery Fund	699	26
Michigan Higher Education Assistance Authority	475	-
Michigan State Housing Development Authority	-	483
Other Enterprise Funds	111	263
	1,286	772
Internal Service Funds:		
State Sponsored Group Insurance Fund	1,817	-
Other Internal Service Funds	-	180
	1,817	180
FIDUCIARY FUND TYPES		
Trust and Agency Funds:		
State Police Pension, Accident, and Disability Fund	1,595	-
State Employees' Retirement Fund	8,249	-
Public School Employees' Retirement Fund	1,336	-
Michigan Unemployment Compensation Fund	6,912	-
Michigan Employment Security Act Contingency Fund	1,018	5,600
Michigan State Accident Fund	1,232	-
Municipal Employees' Retirement Fund	815	-
Transportation Related Trust Funds	144	1,482
Other Trust and Agency Funds	3,172	765
	24,477	7,848
Total Current Interfund Receivables and Payables All Funds*	$103,649	$103,736

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* Interfund receivables and payables, as well as operating transfers in and out, are not equal because certain component units have June 30 fiscal year-ends.

NOTE 21 — INTERFUND COMMITMENTS

Transfers from the Michigan Veterans' Benefit (Trust) Fund

The Michigan Veterans' Benefit (Trust) Fund, a special revenue fund, has in prior years made transfers from its reserves to the General Fund totaling $49.8 million. These transfers were made in accordance with P.A. 119 of 1976 and P.A. 353 of 1980. The acts include provisions for annual repayments and reimbursement of lost interest. Repayments of $4.0 million are scheduled and appropriated for 1987-88. Through September 30, 1987, $27.9 million of the transfers had been repaid, including $4.0 million in 1986-87. The balance of the advances ($21.9 million) is not recorded as an asset of the special revenue fund or a liability of the General Fund because of its long-term and budgetary nature.

Mackinac Bridge Authority

The Mackinac Bridge Authority, which is reported as a special revenue fund, has over the years received $75.3 million of subsidies for operations ($12.3 million) and debt service ($63.0 million). These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. The Authority has not recorded a liability and the State funds have not recorded receivables for these subsidies because the reimbursements are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. As of June 30, 1987, no repayments have been made.

NOTE 22 — RETAINED EARNINGS

Designations:

Certain amounts of retained earnings for component units reported in the enterprise fund group are designated for specified purposes. Generally, these designations are required by the applicable bond agreements. The amounts (in millions), by component unit, as of the fiscal year-end are as follows:

	1987	1986
Michigan Higher Education Student Loan Authority......	$ 42.0	$ 38.4
Michigan Higher Education Assistance Authority........	3.8	3.4
Mackinac Island State Park Commission.................	4.5	4.2
Michigan Strategic Fund...............................	59.7	35.3
Michigan State Housing Development Authority..........	105.8	107.4
Total...	$216.0	$188.9

Fund Deficits:

All funds and component units reported in the proprietary type funds have positive retained earnings balances except for the Department of Natural Resources Magazine Fund (enterprise) which has an accumulated deficit of $.7 million, the Federal Surplus Revolving Fund (internal service) which has an accumulated deficit of $.7 million and the Telecommunications Revolving Fund (internal service) which has an accumulated deficit of $.8 million.

NOTE 23 — FUND BALANCES

Reservations:

The line entitled "reserved fund balance" on the combined balance sheet at September 30, 1987 consists of the following (in millions):

	General	Special Revenue	Debt Service	Capital Project	Pension Trust
Budgetary carry-forwards:					
Encumbrances	$ 56.5	$ 28.6	$ –	$ –	$ –
Restricted revenues	218.0	13.8	.3	–	–
Multi-year projects (capital outlay and work projects)	371.8	268.8	–	.1	–
Revolving loan programs	6.4	–	–	–	–
State Building Authority reserves	–	28.9	–	–	–
Funds held as permanent investments	–	41.3	–	–	–
Noncurrent assets	30.5	121.8	–	–	–
Retirement Benefits	–	–	–	–	13,764.6
Total Reserved Fund Balances	$683.4	$503.5	$ .3	$ .1	$13,764.6

Budgetary carry-forwards represent unused spending authorization which continues to be available in the new year. Such amounts are reserved because the funds are legally segregated for a specific purpose.

Reserves for revolving loan programs represent fund balance which has been appropriated for the purpose of making loans that will encourage economic development in the State. Repayments on such loans are authorized to be used for the making of new loans.

State Building Authority reserves represent amounts which are restricted for construction or debt service related to its various projects.

Funds held as permanent investment represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund, or portions of the fund's share of the common cash pool.

The State does not record any reservations in expendable trust funds because the balances are all considered available for the purposes of the various funds. Also, no reservations of fund balances are recorded in certain single purpose special revenue, debt service, and capital project funds. From the overall State perspective, the unreserved fund balances of funds other than the General Fund are restricted by the nature of the fund type and they are not available for general State purposes.

Fund deficits:

All governmental and fiduciary funds have positive ending unreserved fund balances except for the Michigan State Waterways Fund, which has a year-end deficit of $1.4 million.

NOTE 24 — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Oversight Entity Funds - The State operates four enterprise funds. The Liquor Purchase Revolving Fund accounts for the State's activities in the distribution of liquor at the wholesale and retail levels. The fund is also used to account for certain liquor taxes that generate revenue for other State activities. Public Act 431 of 1984 requires that the net income of the fund be transferred to the General Fund.

The State Lottery Fund accounts for the State lottery games and regulation of bingo and charity games. Profits from the lottery are transferred to the School Aid Fund and profits from regulation of bingo and charity games are transferred to the General Fund.

The Michigan State Fair Revolving Fund records the results of the annual State Fair and periodic rental of fairground facilities. The General Fund provides periodic transfers for the improvement of facilities. Public Act 431 of 1984 also requires that the net income of this fund be transferred to the General Fund.

Note 24 continued on next page.

The Department of Natural Resources Magazine Fund accounts for the production and sale of various publications.

Segment information for the fiscal year ended September 30, 1987 (in thousands) was as follows:

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	SUBTOTAL OVERSIGHT ENTITY
Operating Revenues............	$ 425,959	$ 1,043,646	$ 3,414	$ 1,985	$ 1,475,005
Depreciation and Amortization.	908	24,193	626	11	25,739
Operating Income (Loss).......	60,784	407,638	(1,849)	125	466,698
Tax Revenues..................	7,405	-	-	-	7,405
Operating Transfers:					
In:					
Contributed Fixed Assets..	-	-	1,514	-	1,514
Other Transfers...........	21	5	915	-	943
Operating Transfers In.	21	5	2,430	-	2,457
Out:					
Statutory Net Income Transfer................	(58,526)	(407,378)	(304)	-	(466,209)
Administrative General Fund Costs..............	(9,675)	(228)	(80)	(42)	(10,027)
Operating Transfers Out	(68,202)	(407,607)	(384)	(42)	(476,237)
Net Income (Loss).............	-0-	-0-	-0-	76	76
Net Working Capital...........	38,356	38,112	(3,300)	(312)	72,856
Property, Plant, and Equipment	7,372	7,167	17,293	-	31,833
Total Assets..................	81,234	346,619	17,441	650	445,945
Long-Term Liabilities.........	4,552	285,685	335	372	290,945
Total Equity (Deficit)........	41,175	5,815	13,657	(684)	59,964

Component Units - The enterprise fund type includes the following State financing authorities (and commission): the Michigan State Housing Development Authority (MSHDA), Michigan State Hospital Finance Authority (MSHFA), Michigan Higher Education Student Loan Authority (MHESLA), Michigan Higher Education Assistance Authority (MHEAA), Michigan Strategic Fund (MSF), and the Mackinac Island State Park Commission (MISPC).

Four of the authorities issue long-term debt: to finance loans for the construction of multifamily and single family housing and home improvements (MSHDA), for capital improvements and equipment acquisition at nonprofit hospitals (MSHFA), for tuition to qualified students attending participating institutions of higher education (MHESLA), and for issuing loans and grants to private enterprises to foster economic expansion (MSF). The long-term debt of these authorities is financed mainly from loan repayments and investment income.

The MHEAA is the State guaranty agency under the Guaranteed Student Loan Program, the Supplemental Loans to Students Program and the Parent Loan for Undergraduate Students Program.

The MISPC accounts for the operation of the Mackinac Island State Park. The majority of its costs are financed through admission fees, although it does receive a partial subsidy in the form of a General Fund appropriation determined annually by the Legislature.

Note 24 continued on next page.

Segment information for component units included in the enterprise fund for the fiscal years ended in 1987 (in thousands) is as follows:

	MSHFA	MHESLA	MHEAA	MISPC	MSF	MSHDA	Subtotal Component Units
Operating Revenues......	$ 199,897	$ 16,185	$ 50,052	$ 1,765	$ 8,210	$ 194,473	$ 470,583
Depreciation and Amortization Expense..	-	130	-	163	-	602	896
Operating Income (Loss).	796	3,283	5,693	(1,448)	(4,255)	10,690	14,758
Operating Transfers:							
In (subsidies)........	-	-	-	1,705	19,000	-	20,705
Out (indirect or overhead costs).....	-	-	-	-	(841)	(733)	(1,574)
Net Income (Loss).......	796	3,283	5,693	321	7,647	9,957	27,697
Net Working Capital.....	80,637	(619)	7,880	1,912	25,463	5,857	121,130
Property, Plant, and Equipment.............	-	-	-	3,133	-	-	3,133
Mortgages and Loans Receivable (Net)......	1,173,109	143,212	796	-	16,600	1,585,806	2,919,524
Total Assets............	2,448,050	172,199	54,382	5,115	102,007	2,185,327	4,967,081
Bonds (Net) and Other Long-Term Liabilities.	2,306,129	106,172	514	459	19,426	1,777,958	4,210,659
Total Equity............	6,691	46,168	32,912	4,586	79,729	141,134	311,223

The following table demonstrates the relative shares of oversight entity funds and component units:

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTAL ENTERPRISE FUNDS
Operating Revenues..	$1,475,005	$ 470,583	$1,945,589
Depreciation and Amortization Expense...........................	25,739	896	26,636
Operating Income (Loss)...	466,698	14,758	481,457
Tax Revenues..	7,405	-	7,405
Operating Transfers:			
In..	2,457	20,705	23,162
Out...	(476,237)	(1,574)	(477,811)
Net Income (Loss)...	76	27,697	27,774
Net Working Capital...	72,856	121,130	193,986
Property, Plant, and Equipment..................................	31,833	3,133	34,966
Mortgages and Loans Receivable (Net)............................	-	2,919,524	2,919,524
Total Assets..	445,945	4,967,081	5,413,027
Bonds (Net) and Other Long-Term Liabilities.....................	290,945	4,210,659	4,501,604
Total Equity..	59,964	311,223	371,187

NOTE 25 — STATE SPONSORED GROUP INSURANCE

The State is self-funded for most of its employee insurance benefit programs. The programs are accounted for in the State Sponsored Group Insurance Fund, an internal service fund. The fund is reported in accordance with the generally accepted accounting principles applicable to the private insurance industry. Loss reserves for incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $74.1 million. This includes a long-term portion which is recorded at a discounted present value of $22.3 million. Unearned premium revenue of $65.4 million has been recorded as deferred revenues. These unearned premiums represent fund and employee contributions in excess of recognized expenses at the benefit program level.

The Department of Civil Service intends that the various component programs of the fund be self-supporting in the long run. Individual programs may incur deficits during a given year, but each program's surplus, unearned premium balance, or deficit is considered in calculating future charges or benefit levels. Special rate reductions were implemented as of October 1, 1987 for certain programs, which have accumulated balances in the fund above recommended levels.

NOTE 26 — CONTINGENCIES AND COMMITMENTS

Litigation - The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of prison overcrowding and corrections, highway maintenance and transportation, social services, tax collection, comparable employee compensation, resident county hospitalization, commerce, and budgetary reductions to school districts and governmental units. Relief sought includes damages in tort cases generally, recovery of taxes paid under the insurance premium tax and public utilities tax and refund of claims under the single business tax. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon financial position. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of all these legal proceedings will not themselves, in the opinion of the Attorney General of the State and the Department of Management and Budget, have a material adverse effect on the State's financial position.

The State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to the preparation of these statements, the obligation is recorded as a general long-term liability or fund liability, depending on the fund type (see Notes #4 and #15).

Wayne County Receivables - As described more completely in Note #8, an uncertainty exists that could affect the carrying value of receivables from Wayne County. The County has been delinquent in making remittances to the State for certain billings and the State is working with the County to ensure financing of these obligations. Until the details of the refinancing are finalized, however, it is impossible to determine with certainty whether previously written off receivables should now be considered collectible or if portions of the recognized receivables which are classified as current will be collected within 12 months.

Federal Grants - Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. The State recognizes material disallowances when the loss becomes probable and reasonably estimable. As of September 30, 1987, the State estimates that additional disallowances of recognized revenues will not be material to the statements.

For fiscal year 1986-87, estimated mispayments (both State and federal shares) totaled approximately $59.7 million in the Aid to Families with Dependent Children (AFDC) program and $32.1 million in the Food Stamp program. Total mispayments in the Medicaid program are not yet known for 1986-87, but were approximately $19.7 million for 1985-86. Mispayments for the general assistance program (fully funded by the State) have not been determined.

The federal government has issued a notice of intent to sanction the State because of mispayment rates in excess of federal targets for the AFDC program. The amount of the potential sanction, which relates to fiscal year 1981-82, is $13.3 million. The State has submitted a waiver request based upon good faith efforts made to meet the target level. Should the State ultimately face disallowances, it is estimated that a total of $135.5 million for fiscal years 1981-82 through 1986-87 could potentially need to be repaid. No liability has been established for these potential disallowances because of the preliminary nature of the findings and the uncertainty as to the timing and amount of the ultimate outcome.

Gain Contingencies - Certain contingent receivables related to the Department of Social Services grant programs are not recorded as assets in these financial statements. Amounts recoverable from recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries which are ultimately collectible can not be reasonably determined.

Note 26 continued on next page.

Construction Projects - As of September 30, 1987, several construction projects were in progress, with several others in the planning stages. A significant portion of these projects involve the construction and renovation of correctional facilities. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note #11).

The Department of Transportation has entered into construction contracts for transportation related special revenue funds. As of September 30, 1987, the balances remaining in these contracts equalled $216.7 million.

Contingent Liability for Local School District Bonds - Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 1987 the principal amount of qualified bonds outstanding was $1.9 billion. Total debt service requirements on these bonds including interest will approximate $257.1 million in 1988.

Student Loan Guarantees - The Michigan Higher Education Assistance Authority (MHEAA), which is reported as an enterprise fund in this report, is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State of Michigan, other than MHEAA, is not liable for these loans. The MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 1987. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 1987, is 100%. In the event of future adverse default experience, the MHEAA could be liable for up to 20% of defaulted loans. Management does not expect that all guaranteed loans could default in one year. Accordingly, the MHEAA's expected maximum contingent liability is less than 20% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 1987 is $276.0 million (20% of loans outstanding).

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities of at least 2% of the aggregate unpaid principal amount of all loans they have guaranteed. The MHEAA was in compliance with this requirement as of September 30, 1987 and 1986.

Unemployment Compensation - The State is contingently liable for future unemployment benefits for current employees. The Michigan Employment Security Commission (MESC) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities for unemployment compensation only to the extent of the amount paid by MESC through September 30. During the 1986-87 fiscal year, expenditures for payments to former State employees totaled $4.5 million. The potential liability for future year payments has not been estimated.

NOTE 27 — SUBSEQUENT EVENTS

Comprehensive Transportation Refunding Bonds - In February 1988, the State issued $105.1 million of Comprehensive Transportation Fund revenue dedicated refunding bonds. The proceeds of the new bonds are being placed in trust with an escrow agent to be used to provide the future debt service requirements for the Comprehensive Transportation Refunding Bonds, Series 1985 and certain maturities of the Comprehensive Transportation Series, 1979 A. The bonds consist of both current interest bonds ($92.3 million) and capital appreciation bonds ($12.8 million).

Stock Market Decline - As described more fully in Notes #9 and #12, the market value of investments was significantly affected by the major decline in the stock market subsequent to year-end.

Note 27 continued on next page.

Escrowed Insurance Taxes - The State has been involved in litigation with insurance companies which have been challenging certain aspects of the State's insurance related taxes. In August 1987, the Michigan Court of Appeals ruled that certain statutory provisions were unconstitutional because out-of-state insurers were taxed at a higher rate than in-state insurers. On September 28, 1987, an escrow account was established to hold deposits of quarterly payments on the taxes in question. In December 1987, the legislature passed legislation revising the insurance tax and single business tax statutes that were designed to address the objections to the prior law.

On February 23, 1988, the parties to the case agreed to a court order that released the escrow account balance to the State. On that date, the account had a balance of $66 million. Pursuant to the court order, the State must make a full accounting for the amounts deposited, determine the amounts which relate to taxes owed under the revised statutes, and, if necessary, make refunds and interest payments to affected parties. None of the escrowed amount has been recorded as revenue of the year ending September 30, 1987 because the amount of additional taxes due and the amount of refunds to be made can not be reasonably measured until insurance companies have filed their 1987 tax forms and the State has fulfilled the requirements of the court order.

Michigan Higher Education Assistance Authority (MHEAA) - In February 1988, the United States Department of Education notified the MHEAA that, under the terms of the federal government's Omnibus Budget Act of 1987 passed in December 1987, excess cash reserves of $14.7 million would have to be paid to the federal government. At the time the MHEAA issued its audited financial statements, such a repayment was not anticipated, and, accordingly, the event has not been disclosed in the financial statements.

II FINANCIAL SECTION

SUPPLEMENTAL FINANCIAL DATA

COMBINING FINANCIAL
STATEMENTS
AND SCHEDULES

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 1987
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 201	$ -	$ 220
Equity in Common Cash	404,964	152,366	27,697
Taxes, interest, and penalties receivable (at net)	55,807	7	-
Amounts due from other funds	39,765	2,429	268
Amounts due from federal agencies	56,359	1,226	4,909
Amounts due from local units	19,884	749	229
Inventories	13,077	-	-
Investments	-	-	-
Other current assets	7,575	11,566	1,118
Total Current Assets	597,634	168,346	34,444
Taxes, interest, and penalties receivable (at net)	482	-	-
Advances to other funds	-	-	-
Amounts due from local units	113,635	-	-
Investments	-	-	-
Other noncurrent assets	8,058	-	-
Total Assets	$ 719,810	$ 168,346	$ 34,444
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ 2,446	$ -
Warrants outstanding	6,145	287	459
Accounts payable and other liabilities	213,045	2,491	7,799
Amounts due to other funds	32,502	44	353
Deferred revenue	12,625	-	3,813
Total Current Liabilities	264,319	5,270	12,426
Long-Term Liabilities:			
Deferred revenue	11,540	-	-
Total Liabilities	275,860	5,270	12,426
Fund Balances:			
Reserved	326,708	74,323	-
Unreserved	117,242	88,752	22,018
Total Fund Balances	443,950	163,075	22,018
Total Liabilities and Fund Balances	$ 719,810	$ 168,346	$ 34,444

OTHER OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS	
		SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 2	$ 2,725	$ 3,149	$ 659
397,799	-	982,828	967,593
133,564	-	189,379	156,908
6,701	557	49,722	50,417
275	-	62,770	101,965
440	17	21,321	16,516
-	-	13,077	12,851
-	44,815	44,815	16,147
631	583	21,474	15,987
539,415	48,699	1,388,540	1,339,048
2,757	-	3,240	2,616
2,015	-	2,015	2,130
9,238	-	122,873	126,106
14,980	1,940	16,920	14,998
-	-	8,058	14,000
$ 568,407	$ 50,639	$ 1,541,647	$ 1,498,901
$ 132,693	$ -	$ 135,140	$ 100,752
129	-	7,022	9,591
1,512	8,001	232,850	211,863
-	6,239	39,140	38,831
-	155	16,594	8,709
134,335	14,395	430,747	369,748
2,757	-	14,298	19,917
137,093	14,395	445,046	389,665
73,528	28,994	503,554	509,497
357,785	7,248	593,047	599,739
431,313	36,243	1,096,601	1,109,236
$ 568,407	$ 50,639	$ 1,541,647	$ 1,498,901

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
REVENUES			
Taxes	$ 1,018,713	$ 5,485	$ -
From federal agencies	344,748	3,268	108,253
From local agencies	25,904	1	1,882
From services	1,188	-	-
From licenses and permits	23,926	36,085	4,940
Miscellaneous	40,561	57,502	10,437
Total Revenues	1,455,043	102,343	125,513
EXPENDITURES			
Current:			
General government	-	-	4,474
Education	-	-	-
Public safety and corrections	-	-	-
Conservation, recreation, and agriculture	-	4,167	-
Labor, commerce, and regulatory	-	-	107,988
Transportation	904,401	-	-
Capital outlay	476,189	21,161	-
Debt service:			
Capital lease payments	671	-	3,492
Total Expenditures	1,381,261	25,328	115,955
Excess of Revenues over (under) Expenditures	73,781	77,014	9,558
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	-	-
Capital lease acquisitions and refinancing	956	-	154
Operating transfers in	431,344	14,256	4,695
Operating transfers out	(559,308)	(77,250)	(13,282)
Total Other Financing Sources (Uses)	(127,006)	(62,993)	(8,432)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(53,224)	14,[illegible]	1,125
Fund Balances - Beginning of fiscal year - as previously reported	497,175	149,055	20,892
Effect of accounting change	-	-	-
Fund Balances - Beginning of fiscal year - restated	497,175	149,055	20,892
Equity transfers from other funds	-	-	-
Equity transfers to other funds	-	-	-
Fund Balances - End of fiscal year	$ 443,950	$ 163,075	$ 22,018

OTHER OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS	
		FISCAL YEARS ENDED	
		SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,528,473	$ -	$ 2,552,672	$ 2,459,867
41,196	-	497,467	503,208
746	-	28,535	17,050
-	91	1,279	1,031
-	5,392	70,344	60,874
27,709	2,376	138,587	168,607
1,598,126	7,860	3,288,887	3,210,639
5,906	-	10,381	9,148
2,556,718	31,422	2,588,140	2,470,077
1	-	1	-
-	20	4,188	8,167
-	-	107,988	103,972
-	3,716	908,117	856,728
-	-	497,350	455,664
-	-	4,163	4,502
2,562,626	35,159	4,120,331	3,908,262
(964,499)	(27,298)	(831,443)	(697,623)
-	75,266	75,266	7,518
-	-	1,111	-
993,052	20	1,443,369	1,430,021
(27,479)	(24,153)	(701,473)	(725,944)
965,572	51,134	818,273	711,596
1,072	23,835	(13,170)	13,973
430,240	11,872	1,109,236	1,098,067
-	-	-	(1,108)
430,240	11,872	1,109,236	1,096,958
-	535	535	8,943
-	-	-	(10,639)
$ 431,313	$ 36,243	$ 1,096,601	$ 1,109,236

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	TRANSPORTATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 1,012,000	$ 1,018,713	$ 6,713
From federal agencies	309,600	344,748	35,148
From local agencies	15,800	22,617	6,817
From services	1,000	1,188	188
From licenses and permits	22,000	23,926	1,926
Miscellaneous	38,900	37,156	(1,743)
Operating transfers in	427,200	431,344	4,144
Total Revenues and Other Sources	1,826,500	1,879,696	53,196
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	-	-	-
Education	-	-	-
Transportation	1,984,288	1,943,529	40,759
Labor	-	-	-
Natural Resources	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,984,288	1,943,529	40,759
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (157,788)	(63,833)	$ 93,955
Reconciling Items:			
Encumbrances at September 30		28,562	
Funds not annually budgeted		(17,954)	
Net Reconciling Items		10,608	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(53,224)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		497,175	
Equity transfers from other funds		-	
Ending balances (GAAP Basis)		$ 443,950	

CONSERVATION AND RECREATION RELATED			REGULATORY AND ADMINISTRATIVE RELATED			OTHER OVERSIGHT ENTITY FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 4,800	$ 5,485	$ 685	$ -	$ -	$ -	$ 1,510,300	$ 1,528,473	$ 18,173
-	3,268	3,268	-	5	5	39,500	41,196	1,696
-	1	1	-	-	-	800	746	(53)
-	-	-	-	-	-	-	-	-
30,100	36,085	5,985	3,800	4,940	1,140	-	-	-
50,700	54,775	4,075	10,000	9,641	(358)	24,700	27,709	3,009
11,700	14,256	2,556	-	65	65	1,018,500	993,052	(25,447)
97,300	113,872	16,572	13,800	14,651	851	2,593,800	2,591,178	(2,621)
-	-	-	6,000	5,798	201	36,493	33,427	3,065
-	-	-	1,089	475	613	-	-	-
-	-	-	-	-	-	2,554,128	2,554,128	-
-	-	-	-	-	-	-	-	-
-	-	-	6,713	6,526	187	-	-	-
101,498	99,892	1,606	-	-	-	-	-	-
101,498	99,892	1,606	13,803	12,800	1,002	2,590,621	2,587,555	3,065
$ (4,198)	13,979	$ 18,178	$ (3)	1,851	$ 1,854	$ 3,178	3,622	$ 444
	-			-			41	
	40			(725)			(2,591)	
	40			(725)			(2,550)	
	14,020			1,125			1,072	
	149,055			20,892			430,240	
	-			-			-	
	$ 163,075			$ 22,018			$ 431,313	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	COMPONENT UNITS			TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 2,527,100	$ 2,552,672	$ 25,572
From federal agencies	-	-	-	349,100	389,219	40,119
From local agencies	-	-	-	16,600	23,365	6,765
From services	-	-	-	1,000	1,188	188
From licenses and permits	-	-	-	55,900	64,952	9,052
Miscellaneous	-	-	-	124,300	129,282	4,982
Operating transfers in	-	-	-	1,457,400	1,438,719	(18,681)
Total Revenues and Other Sources	-	-	-	4,531,400	4,599,398	67,998
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Management and Budget	-	-	-	42,493	39,226	3,266
State	-	-	-	1,089	475	613
Education	-	-	-	2,554,128	2,554,128	-
Transportation	-	-	-	1,984,288	1,943,529	40,759
Labor	-	-	-	6,713	6,526	187
Natural Resources	-	-	-	101,498	99,892	1,606
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-	4,690,211	4,643,777	46,433
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ -	-	$ -	$ (158,811)	(44,378)	$ 114,432
Reconciling Items:						
Encumbrances at September 30		-			28,604	
Funds not annually budgeted		23,835			2,604	
Net Reconciling Items		23,835			31,208	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		23,835			(13,170)	
FUND BALANCES (GAAP BASIS)						
Beginning balances		11,872			1,109,236	
Equity transfers from other funds		535			535	
Ending balances (GAAP Basis)		$ 36,243			$ 1,096,601	

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DESCRIPTIONS OF SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

STATE AERONAUTICS FUND

This fund, established by P.A. 327 of 1945, is administered by the Department of Transportation for improvement of airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs.

STATE TRUNKLINE FUND

This fund is administered by the Department of Transportation for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of a transfer from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, is appropriated for road and bridge construction purposes.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

MICHIGAN TRANSPORTATION FUND

This fund, established by section 10 of P.A. 51 of 1951, as amended, is administered jointly by the Department of Transportation and the Department of State. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, and the Michigan State Waterways Fund in accordance with the statutory formulae. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulae and pursuant to P.A. 5 of 1967 (Extra Session), Sec. 91.

COMPREHENSIVE TRANSPORTATION FUND

The fund, under the direction of the Department of Transportation, was created for the purpose of planning and developing public transportation systems within the State. It was created by Public Acts 326, 327, and 328 of 1972 and Public Act 197 of 1973, with further amendments by Public Acts 195, 196, and 239 of 1975.

Financing is provided by a transfer from the Michigan Transportation Fund, federal, local, and vehicle related sales tax. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, lapses and reverts to the fund for appropriation in the following fiscal year.

In addition to providing direct expenditures for public transportation purposes, the fund is used to provide financing for entities providing bus and rail services. Such financing is provided primarily by purchasing buses and reselling them to private carriers on a credit basis and by purchasing and leasing back rail related assets.

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1987

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $217 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $106.3 million Series A bonds in 1980 and $50 million Series B bonds in 1981. These bonds are used to finance part of the costs of constructing and acquiring comprehensive transportation projects. A majority of these projects, as approved by legislative action, are undertaken to enhance local transportation systems.

1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $135 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $135 million bonds in 1983. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded in the State Trunkline Fund, which receives loan repayments.

1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $60 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for disposition in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $60 million bonds in 1984. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $50 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $50 million bonds in 1984. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded in the State Trunkline Fund, which receives the loan repayments.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 1987
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 200	$ 1
Equity in Common Cash	8,873	151,603	102,184
Taxes, interest, and penalties receivable (at net)	515	-	55,292
Amounts due from other funds	133	28,557	1,942
Amounts due from federal agencies	7,122	43,665	-
Amounts due from local units	1,383	16,684	-
Inventories	-	13,077	-
Other current assets	139	4,238	311
Total Current Assets	18,168	258,027	159,731
Taxes, interest, and penalties receivable (at net)	-	-	482
Amounts due from local units	815	109,819	-
Other noncurrent assets:			
Amounts due from private carriers	-	-	-
Land contracts outstanding	-	3,231	-
Miscellaneous	-	-	-
Total other noncurrent assets	-	3,231	-
Total Assets	$ 18,983	$ 371,078	$ 160,214
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 203	$ 5,327	$ 182
Accounts payable and other liabilities	2,647	73,695	127,572
Amounts due to other funds	8	483	31,976
Deferred revenue	3,485	6,729	-
Total Current Liabilities	6,345	86,236	159,731
Long-Term Liabilities:			
Deferred revenue	-	3,231	482
Total Liabilities	6,345	89,468	160,214
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	32	1,267	-
Restricted revenues	-	667	-
Multi-year projects	7,654	169,855	-
Noncurrent assets	815	109,819	-
Total Reserved	8,501	281,610	-
Unreserved	4,136	-	-
Total Fund Balances	12,638	281,610	-0-
Total Liabilities and Fund Balances	$ 18,983	$ 371,078	$ 160,214

COMPREHENSIVE TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS	
					SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ -	$ -	$ 201	$ 200
94,180	15,894	4,246	16,479	11,502	404,964	406,533
-	-	-	-	-	55,807	56,417
8,273	294	72	300	190	39,765	41,578
5,570	-	-	-	-	56,359	95,959
1,554	-	3	-	258	19,884	15,220
-	-	-	-	-	13,077	12,851
2,876	9	-	-	-	7,575	4,424
112,455	16,198	4,322	16,779	11,951	597,634	633,185
-	-	-	-	-	482	154
3,000	-	-	-	-	113,635	116,540
4,826	-	-	-	-	4,826	8,742
-	-	-	-	-	3,231	4,924
-	-	-	-	-	-	333
4,826	-	-	-	-	8,058	14,000
$ 120,281	$ 16,198	$ 4,322	$ 16,779	$ 11,951	$ 719,810	$ 763,881
$ 379	$ -	$ -	$ 38	$ 13	$ 6,145	$ 8,767
6,043	1,278	-	1,746	60	213,045	198,253
33	-	-	-	-	32,502	34,736
2,410	-	-	-	-	12,625	7,495
8,867	1,279	-	1,784	73	264,319	249,251
7,826	-	-	-	-	11,540	17,455
16,693	1,279	-	1,784	73	275,860	266,706
27,262	-	-	-	-	28,562	25,698
9,178	-	-	-	-	9,845	7,875
154	-	-	-	-	177,664	222,321
-	-	-	-	-	110,635	113,240
36,595	-	-	-	-	326,708	369,135
66,992	14,919	4,321	14,994	11,877	117,242	128,039
103,588	14,919	4,321	14,994	11,877	443,950	497,175
$ 120,281	$ 16,198	$ 4,322	$ 16,779	$ 11,951	$ 719,810	$ 763,881

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 5,220	$ -	$ 972,112	$ 41,381
From federal agencies	14,960	323,970	-	5,818
From local agencies	6,208	16,408	-	-
From services	1,178	10	-	-
From licenses and permits	91	603	23,154	77
Miscellaneous	531	22,486	7,069	7,068
Total Revenues	28,189	363,478	1,002,336	54,346
EXPENDITURES				
Current:				
Transportation	31,104	238,326	509,108	104,453
Capital outlay	-	472,987	-	-
Debt service:				
Capital lease payments	-	671	-	-
Total Expenditures	31,104	711,985	509,108	104,453
Excess of Revenues over (under) Expenditures	(2,914)	(348,506)	493,227	(50,107)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions and refinancing	-	956	-	-
Operating transfers in	2	337,502	416	93,422
Operating transfers out	(441)	(41,712)	(493,644)	(23,472)
Total Other Financing Sources (Uses)	(438)	296,747	(493,227)	69,949
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(3,353)	(51,759)	-	19,842
Fund Balances - Beginning of fiscal year	15,991	333,369	-0-	83,746
Fund Balances - End of fiscal year	$ 12,638	$ 281,610	$ -0-	$ 103,588

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1987	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986
$ -	$ -	$ -	$ -	$ 1,018,713	$ 992,215
-	-	-	-	344,748	360,832
-	6	-	3,280	25,904	13,637
-	-	-	-	1,188	963
-	-	-	-	23,926	23,377
1,015	267	1,463	657	40,561	46,617
1,015	274	1,463	3,937	1,455,043	1,437,644
5,303	-	16,103	-	904,401	853,218
-	49	-	3,152	476,189	441,058
-	-	-	-	671	1,337
5,303	49	16,103	3,152	1,381,261	1,295,614
(4,287)	225	(14,640)	785	73,781	142,029
-	-	-	-	956	-
-	-	-	-	431,344	423,375
(9)	(4)	(14)	(8)	(559,308)	(551,278)
(9)	(4)	(14)	(8)	(127,006)	(127,903)
(4,297)	221	(14,655)	776	(53,224)	14,126
19,216	4,100	29,649	11,100	497,175	483,048
$ 14,919	$ 4,321	$ 14,994	$ 11,877	$ 443,950	$ 497,175

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 4,400	$ 5,220	$ 820
From federal agencies	20,500	14,960	(5,539)
From local agencies	2,000	6,208	4,208
From services	1,000	1,178	178
From licenses and permits	100	91	(8)
Miscellaneous	500	531	31
Operating transfers in	-	2	2
Total Revenues and Other Sources	28,500	28,192	(307)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Transportation	31,077	31,577	(500)
Total Expenditures, Operating Transfers Out, and Encumbrances	31,077	31,577	(500)
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (2,577)	(3,385)	$ (807)
Reconciling Items:			
Encumbrances at September 30		32	
Funds not annually budgeted		-	
Net Reconciling Items		32	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(3,353)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		15,991	
Ending balances (GAAP Basis)		$ 12,638	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 963,600	$ 972,112	$ 8,512	$ 44,000	$ 41,381	$ (2,618)
279,300	323,970	44,670	-	-	-	9,800	5,818	(3,981)
13,800	16,408	2,608	-	-	-	-	-	-
-	10	10	-	-	-	-	-	-
500	603	103	21,300	23,154	1,854	100	77	(22)
19,300	22,486	3,186	7,700	7,069	(630)	11,400	7,068	(4,331)
335,100	337,502	2,402	-	416	416	92,100	93,422	1,322
648,000	700,981	52,981	992,600	1,002,753	10,153	157,400	147,768	(9,631)
782,439	754,008	28,430	1,004,104	1,002,753	1,350	166,667	155,188	11,478
782,439	754,008	28,430	1,004,104	1,002,753	1,350	166,667	155,188	11,478
$ (134,439)	(53,027)	$ 81,412	$ (11,504)	-	$ 11,504	$ (9,267)	(7,420)	$ 1,846
	1,267			-			27,262	
	-			-			-	
	1,267			-			27,262	
	(51,759)			-			19,842	
	333,369			-0-			83,746	
	$ 281,610			$ -0-			$ 103,588	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES				
Taxes	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-
From local agencies	-	-	-	-
From services	-	-	-	-
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Operating transfers in	-	-	-	-
Total Revenues and Other Sources	-	-	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT				
Transportation	-	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-
Reconciling Items:				
Encumbrances at September 30	-	-	-	-
Funds not annually budgeted	(4,297)	221	(14,655)	776
Net Reconciling Items	(4,297)	221	(14,655)	776
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(4,297)	221	(14,655)	776
FUND BALANCES (GAAP BASIS)				
Beginning balances	19,216	4,100	29,649	11,100
Ending balances (GAAP Basis)	$ 14,919	$ 4,321	$ 14,994	$ 11,877

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 1,012,000	$ 1,018,713	$ 6,713
309,600	344,748	35,148
15,800	22,617	6,817
1,000	1,188	188
22,000	23,926	1,926
38,900	37,156	(1,743)
427,200	431,344	4,144
1,826,500	1,879,696	53,196
1,984,288	1,943,529	40,759
1,984,288	1,943,529	40,759
$ (157,788)	(63,833)	$ 93,955
	28,562	
	(17,954)	
	10,608	
	(53,224)	
	497,175	
	$ 443,950	

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987

GAME AND FISH PROTECTION FUND

This fund was established by P.A. 17 of 1921. It is financed principally from hunting and fishing license fees whose purpose is to support the conservation program for preservation and control of fish and wildlife. Added revenues arise from the sale of oil and gas leases and subsequent royalties on land acquired by the fund. Activity in this fund consists primarily of transfers to the General Fund to finance appropriations made in the General Fund for game and fish related activities.

In addition, this fund, under provisions of P.A. 91 of 1925 as amended, makes grants through the General Fund to counties as payment in lieu of taxes on certain State owned real property purchased from this fund.

Public Act 101 of 1985 would have required the transfer to the Game and Fish Protection Fund of any monies as of October 1, 1985, in the subfund reserve created by section 4 of P.A. 204 of 1976. These funds had been in fund balance reserves of the former State Recreational Land Acquisition Trust Fund. Public Act 73 of 1986 established the Game and Fish Protection Trust Fund and mandated the transfer of these monies to that new fund, as well as providing for the crediting, beginning October 1, 1987, of oil and gas revenues mentioned above to the Game and Fish Protection Trust Fund.

MICHIGAN STATE WATERWAYS FUND

This fund was established by P.A. 320 of 1947 and is financed primarily from watercraft registration taxes and gasoline taxes. Public Act 303 of 1967, as amended by P.A. 153 of 1974, stipulates that 25% of watercraft registration taxes are revenue to the Michigan State Waterways Fund. Affected taxpayers renew watercraft registrations every three years. This produces an increase in revenues in the major renewal year, as is the case for fiscal year 1986-87. Public Act 328 of 1972 as amended, provides that 1.25% of all State-imposed taxes collected on the sale of gasoline shall be credited to the Michigan State Waterways Fund after deducting collection costs and refunds. Gasoline taxes collected by the Michigan Transportation Fund are credited as operating transfers into the Michigan State Waterways Fund.

These revenues are directed primarily toward improvement of lake harbors, docking facilities, and inland waterways. Expenditures for certain items, such as capital outlay, grants to local units, and marine fuel purchases, are made directly from the fund. Other expenditures are recorded in the General Fund, with financing provided by transfers from this fund.

MARINE SAFETY FUND

This fund was established by P.A. 303 of 1967 and is financed principally by 75% of watercraft registration taxes imposed by this act. Amendatory Act 153 of 1974 provided a graduated watercraft registration tax based upon the length of a vessel or motorboat. The implementation of this fee structure brought the existing licensees onto the same 3-year renewal cycle, with new licensees renewing licenses every third year after purchase of their initial license. This causes the tax revenues every third year to be significantly higher than the intervening years. The 1986-87 fiscal year is a major renewal year. Activities of this fund consist solely of transfers to the General Fund and the Michigan State Waterways Fund for water safety education programs, law enforcement, and establishment of regulations for the operation of watercraft on the waters of this State.

GAME AND FISH PROTECTION TRUST FUND

This fund was created by P.A. 73 of 1986 to restrict certain assets for the purpose of generating interest and earnings which must be transferred to the Game and Fish Protection Fund each year. Initial funding in 1985-86 was by equity transfer of monies which were previously held in the State Recreational Land Acquisition Trust Fund in the subfund reserve established by P.A. 204 of 1976, Section 4. Additional investment funding is being provided primarily by mineral royalties from lands acquired by the Game and Fish Protection Fund which, by statute, are being retained for permanent investment. Public Act 73 of 1986 specifies that, beginning October 1, 1987, various mineral royalties, direct sale proceeds and other revenues currently deposited in the Game and Fish Protection Fund and the Michigan Natural Resources Trust Fund are to be credited to the Game and Fish Protection Trust Fund.

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED (Continued)

STATE PARK IMPROVEMENT FUND

This fund was established by P.A. 149 of 1960 as amended, and is financed mainly by the proceeds of an authorized $20 million revenue dedicated bond issue and from State park permit fees necessary for entry by motor vehicle into designated State parks. Permit fees are recorded as operating transfers from the State Park Revenue Bond Fund which makes allocations from such fees.

The resources of this fund are subject to appropriations by the Legislature for operation, the acquisition of land, construction, development, and improvement of State parks.

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in November 1984 to provide for a "Michigan Natural Resources Trust Fund." Public Act 101 of 1985 implemented the amendment by stipulating that the State Recreational Land Acquisition Trust Fund be merged into the Michigan Natural Resources Trust Fund effective October 1, 1985. Except for specified exceptions, all rentals, royalties and other revenues derived from mineral, coal, oil, and gas interests on land owned by the State will be credited to the fund for future purchases of land for recreational purposes, for administrative expenditures, and for the payment of any taxes owed by the State on the land. The fund is also required to make distributions through September 30, 2032 to the Michigan Strategic Fund. Public Act 73 of 1986 also provides that beginning October 1, 1987, mineral royalties and other revenues which are being credited to this fund and are generated by specified lands will be credited to the Game and Fish Protection Trust Fund.

WATER POLLUTION CONTROL BOND FUND

This fund was established by P.A. 329 of 1966 to account for the proceeds of $335.0 million of general obligation bonds approved by the people in November, 1968, for the prevention and abatement of water pollution. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 Constitution and P.A. 76 of 1968. Bond sales were completed in November, 1984 with a $33.0 million sale. The proceeds of these bonds are used to assist local units of government in financing construction of facilities for treatment of sewage and other liquid wastes.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

This fund was established by P.A. 189 of 1983 as amended by P.A. 145 of 1985 and P.A. 285 of 1986 to provide for research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this state. Until 1994, or when the assets of the fund exceed $6.0 million, Michigan state income taxpayers may designate $2 or more of their tax refund to this fund. The fund may also receive appropriations from other funds, donations, and investment income. Annually, 20% or more of the fund's revenues must be retained for permanent investment. The State Treasurer directs the fund's investments.

Expenditures must be appropriated by the Legislature and occur in the General Fund, financed by operating transfers from this fund.

STATE OF MICHIGAN

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

SEPTEMBER 30, 1987
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
ASSETS					
Current Assets:					
Equity in Common Cash....................	$ -	$ 3,627	$ 2,014	$ 11,580	$ 6,228
Taxes, interest, and penalties receivable	-	7	-	-	-
Amounts due from other funds.............	-	38	27	206	19
Amounts due from federal agencies........	567	61	597	-	-
Amounts due from local units.............	-	-	-	-	-
Other current assets.....................	7,474	55	-	156	-
Total Current Assets....................	8,042	3,789	2,640	11,943	6,247
Total Assets...........................	$ 8,042	$ 3,789	$ 2,640	$ 11,943	$ 6,247
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Liability to common cash.................	$ 2,446	$ -	$ -	$ -	$ -
Warrants outstanding.....................	14	9	-	-	12
Accounts payable and other liabilities...	68	169	1	-	206
Amounts due to other funds...............	44	-	-	-	-
Total Current Liabilities...............	2,574	179	1	-	219
Total Liabilities......................	2,574	179	1	-	219
Fund Balances:					
Reserves for:					
Budgetary carry-forwards:					
Encumbrances..........................	-	-	-	-	-
Restricted revenues...................	3,138	63	-	-	-
Multi-year projects...................	1,146	4,903	-	-	2,882
Funds held as permanent investments....	-	-	-	11,943	-
Total Reserved..........................	4,285	4,966	-	11,943	2,882
Unreserved..............................	1,182	(1,355)	2,638	-	3,145
Total Fund Balances.....................	5,467	3,610	2,638	11,943	6,028
Total Liabilities and Fund Balances.....	$ 8,042	$ 3,789	$ 2,640	$ 11,943	$ 6,247

MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 117,106	$ 10,939	$ 868	$ 152,366	$ 138,893
-	-	-	7	3
1,932	190	14	2,429	2,064
-	-	-	1,226	1,110
-	749	-	749	947
3,879	-	-	11,566	9,658
122,918	11,880	883	168,346	152,678
$ 122,918	$ 11,880	$ 883	$ 168,346	$ 152,678
$ -	$ -	$ -	$ 2,446	$ 1,101
249	-	-	287	463
794	1,250	-	2,491	2,030
-	-	-	44	27
1,044	1,250	-	5,270	3,622
1,044	1,250	-	5,270	3,622
-	-	-	-	1,116
-	-	-	3,201	2,771
49,944	-	-	58,877	54,676
-	-	300	12,243	10,691
49,944	-	300	74,323	69,255
71,929	10,629	583	88,752	79,799
121,873	10,629	883	163,075	149,055
$ 122,918	$ 11,880	$ 883	$ 168,346	$ 152,678

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
REVENUES					
Taxes......................................	$ -	$ 1,358	$ 4,126	$ -	$ -
From federal agencies......................	1,826	384	656	-	400
From local agencies........................	-	-	1	-	-
From licenses and permits..................	35,996	-	88	-	-
Miscellaneous..............................	6,033	1,527	23	1,988	141
Total Revenues............................	43,856	3,270	4,897	1,988	542
EXPENDITURES					
Current:					
Conservation, recreation, and agriculture.	108	2,108	-	-	-
Capital outlay.............................	438	1,762	-	-	3,187
Total Expenditures........................	546	3,871	-	-	3,187
Excess of Revenues over (under) Expenditures............................	43,309	(601)	4,897	1,988	(2,645)
OTHER FINANCING SOURCES (USES)					
Operating transfers in.....................	1,053	7,476	1	-	5,724
Operating transfers out....................	(44,218)	(7,146)	(3,048)	(735)	(2,199)
Total Other Financing Sources (Uses).....	(43,165)	329	(3,046)	(735)	3,524
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses....	144	(271)	1,850	1,252	879
Fund Balances - Beginning of fiscal year......	5,322	3,882	787	10,691	5,148
Equity transfers from other funds............	-	-	-	-	-
Equity transfers to other funds..............	-	-	-	-	-
Fund Balances - End of fiscal year...........	$ 5,467	$ 3,610	$ 2,638	$ 11,943	$ 6,028

			TOTALS	
			FISCAL YEARS ENDED	
MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ 5,485	$ 3,119
-	-	-	3,268	2,169
-	-	-	1	1,067
-	-	-	36,085	28,448
46,335	738	713	57,502	75,578
46,335	738	713	102,343	110,382
-	1,950	-	4,167	8,079
15,772	-	-	21,161	14,606
15,772	1,950	-	25,328	22,686
30,563	(1,211)	713	77,014	87,695
-	-	-	14,256	15,261
(19,440)	-	(460)	(77,250)	(72,426)
(19,440)	-	(460)	(62,993)	(57,165)
11,123	(1,211)	252	14,020	30,530
110,750	11,841	630	149,055	118,525
-	-	-	-	8,943
-	-	-	-	(8,943)
$ 121,873	$ 10,629	$ 883	$ 163,075	$ 149,055

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes................................	$ -	$ -	$ -	$ 1,200	$ 1,358	$ 158
From federal agencies................	-	1,826	1,826	-	384	384
From local agencies..................	-	-	-	-	-	-
From licenses and permits............	30,100	35,996	5,896	-	-	-
Miscellaneous........................	6,500	6,033	(466)	1,000	1,527	527
Operating transfers in...............	-	1,053	1,053	7,300	7,476	176
Total Revenues and Other Sources..	36,600	44,910	8,310	9,500	10,746	1,246
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Natural Resources..................	45,402	44,765	637	11,780	11,018	761
Total Expenditures, Operating Transfers Out, and Encumbrances....................	45,402	44,765	637	11,780	11,018	761
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis).....	$ (8,802)	144	$ 8,947	$ (2,280)	(271)	$ 2,008
Reconciling Items:						
Funds not annually budgeted........		-			-	
Net Reconciling Items.............		-			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis).................		144			(271)	
FUND BALANCES (GAAP BASIS)						
Beginning balances...................		5,322			3,882	
Ending balances (GAAP Basis).........		$ 5,467			$ 3,610	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND			MICHIGAN NATURAL RESOURCES TRUST FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 3,600	$ 4,126	$ 526	$ -	$ -	$ -	$ -	$ -	$ -
-	656	656	-	400	400	-	-	-
-	1	1	-	-	-	-	-	-
-	88	88	-	-	-	-	-	-
-	23	23	-	141	141	42,700	46,335	3,635
-	1	1	4,200	5,724	1,524	200	-	(200)
3,600	4,899	1,299	4,200	6,267	2,067	42,900	46,335	3,435
3,162	3,048	114	5,424	5,387	36	35,218	35,212	5
3,162	3,048	114	5,424	5,387	36	35,218	35,212	5
$ 437	1,850	$ 1,413	$ (1,224)	879	$ 2,103	$ 7,681	11,123	$ 3,441
	-			-			-	
	-			-			-	
	1,850			879			11,123	
	787			5,148			110,750	
	$ 2,638			$ 6,028			$ 121,873	

This schedule continued on next page.

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN NONGAME FISH AND WILDLIFE FUND			FUNDS NOT ANNUALLY BUDGETED	
				GAME AND FISH PROTECTION TRUST FUND	WATER POLLUTION CONTROL BOND FUND
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES					
Taxes	$ -	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-	-
From local agencies	-	-	-	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	500	713	213	-	-
Operating transfers in	-	-	-	-	-
Total Revenues and Other Sources	500	713	213	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT					
Natural Resources	510	460	50	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	510	460	50	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (10)	252	$ 263	-	-
Reconciling Items:					
Funds not annually budgeted		-		1,252	(1,211)
Net Reconciling Items		-		1,252	(1,211)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		252		1,252	(1,211)
FUND BALANCES (GAAP BASIS)					
Beginning balances		630		10,691	11,841
Ending balances (GAAP Basis)		$ 883		$ 11,943	$ 10,629

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 4,800	$ 5,485	$ 685
-	3,268	3,268
-	1	1
30,100	36,085	5,985
50,700	54,775	4,075
11,700	14,256	2,556
97,300	113,872	16,572
101,498	99,892	1,606
101,498	99,892	1,606
$ (4,198)	13,979	$ 18,178
	40	
	40	
	14,020	
	149,055	
	$ 163,075	

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987

MICHIGAN EMPLOYMENT SECURITY ACT -- ADMINISTRATION FUND

This fund was created by P.A. 1 of 1936 (Extra Session). The fund derives most of its revenue from federal grants. When approved by the MES commission, transfers are made from the Michigan Employment Security Act (MESA) contingency fund (an expendable trust fund) to this fund. As its name indicates, the administrative costs of this operation are accounted for in this fund.

Unemployment benefit payments to individuals are made directly by the agency from trust funds accumulated from employer premium payments. These activities are reported in the Michigan Unemployment Compensation Fund (a component unit reported as an expendable trust fund).

MOTOR VEHICLE ACCIDENT CLAIMS FUND

The Motor Vehicle Accident Claims Fund, established by P.A. 198 of 1965, was financed by a $45 fee for uninsured motor vehicles. The purpose of this fund has been diminished by P.A. 294 of 1972. This act implemented "no fault" insurance in Michigan and requires that the owner of each motor vehicle registered in Michigan be covered by the insurance specified in the act. Since October 1, 1973, the effective date of this act, the $45 fee for uninsured motorists has not been collected.

Currently, revenues are derived from installment repayments by uninsured motorists for claims and/or court judgments and from interest earnings. Claim settlements and administrative costs are appropriated in the General Fund where they are incorporated in the Department of State's budget. Transfers are made from the Motor Vehicle Accident Claims Fund to the General Fund to defray the cost of claims and administration.

Claims which have been settled but unreimbursed by uninsured motorists found at fault amounted to $17.1 million at September 30, 1987. Of this amount, approximately $13.7 million is anticipated to be uncollectable. Because of the poor history of recoveries of such settlements this amount has not been reflected in the financial statements by the recognition of revenue and the corresponding amount receivable.

SAFETY EDUCATION AND TRAINING FUND

This fund was established by P.A. 24 of 1977, as amended, under the jurisdiction of the Department of Labor. The act imposes an annual levy on each insurance carrier licensed to do workers' disability compensation business in the State, from the State Accident Fund, and from each self-insured employer. The act also provides for deposit of these assessments in the Safety Education and Training Fund to finance the Safety Education and Training Division of the Department of Labor. These funds are annually appropriated by the Legislature for operations. These expenditures occur in the General Fund and are financed by operating transfers from this fund.

STATE CONSTRUCTION CODE FUND

The State Construction Code Fund was created by P.A. 371 of 1980. Fees established by the Director of the Department of Labor, as approved by the Construction Code Commission, for acts and services performed by the commission are deposited in the fund. The fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the bureau of construction codes and related indirect overhead expenditures. These expenditures are recorded in the General Fund with an operating transfer being made from this fund to finance them.

MICHIGAN JUSTICE TRAINING FUND

The Michigan Justice Training Fund was created by P.A. 302 of 1982 to support the activities of the Michigan Justice Training Commission. The Commission distributes funds to governmental units, including the Michigan Department of State Police, to provide for criminal justice training of police officers. Funds are derived by an assessment on certain civil infractions. Administrative costs are recorded in the General Fund with an operating transfer being made from this fund to finance them.

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1987

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

The Homeowner Construction Lien Recovery Fund was established by P.A. 497 of 1980 to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers. Expenditures are recorded in the General Fund with financing provided by operating transfers from the fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 30	$ -	$ 29
Equity in Common Cash	5,126	1,834	7,894
Amounts due from other funds	-	21	129
Amounts due from federal agencies	4,909	-	-
Amounts due from local units	229	-	-
Other current assets	251	-	102
Total Current Assets	10,546	1,857	8,156
Total Assets	$ 10,546	$ 1,857	$ 8,156
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 446	$ -	$ 6
Accounts payable and other liabilities	5,933	-	-
Amounts due to other funds	353	-	-
Deferred revenue	3,813	-	-
Total Current Liabilities	10,546	-	6
Total Liabilities	10,546	-	6
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	-	-	-
Restricted revenues	-	-	-
Multi-year projects	-	-	-
Total reserved	-	-	-
Unreserved	-	1,856	8,149
Total Fund Balances	-0-	1,856	8,149
Total Liabilities and Fund Balances	$ 10,546	$ 1,857	$ 8,156

STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	TOTALS SEPTEMBER 30, 1987	TOTALS SEPTEMBER 30, 1986
$ 156	$ -	$ 3	$ 220	$ 63
4,498	5,497	2,845	27,697	25,525
69	-	48	268	235
-	-	-	4,909	4,738
-	-	-	229	-
36	728	-	1,118	631
4,760	6,226	2,897	34,444	31,193
$ 4,760	$ 6,226	$ 2,897	$ 34,444	$ 31,193
$ 4	$ 1	$ -	$ 459	$ 148
2	1,862	-	7,799	8,333
-	-	-	353	1,164
-	-	-	3,813	654
6	1,864	-	12,426	10,300
6	1,864	-	12,426	10,300
-	-	-	-	160
-	-	-	-	652
-	-	-	-	20
-	-	-	-	833
4,753	4,361	2,896	22,018	20,059
4,753	4,361	2,896	22,018	20,892
$ 4,760	$ 6,226	$ 2,897	$ 34,444	$ 31,193

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
REVENUES			
From federal agencies	$ 108,248	$ -	$ 5
From local agencies	1,882	-	-
From licenses and permits	-	-	-
Miscellaneous	381	510	2,741
Total Revenues	110,512	510	2,746
EXPENDITURES			
Current:			
General government	-	-	-
Labor, commerce, and regulatory	107,988	-	-
Debt service:			
Capital lease payments	3,492	-	-
Total Expenditures	111,480	-	-
Excess of Revenues over (under) Expenditures	(968)	510	2,746
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	154	-	-
Operating transfers in	4,630	-	1
Operating transfers out	(4,649)	(475)	(2,842)
Total Other Financing Sources (Uses)	135	(475)	(2,840)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(833)	35	(94)
Fund Balances - Beginning of fiscal year - as previously reported	833	1,820	8,243
Effect of accounting change	-	-	-
Fund Balances - Beginning of fiscal year - restated	833	1,820	8,243
Fund Balances - End of fiscal year	$ -0-	$ 1,856	$ 8,149

STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ 108,253	$ 101,455
-	-	-	1,882	1,482
4,940	-	-	4,940	4,103
230	6,158	415	10,437	8,963
5,170	6,158	415	125,513	116,005
-	4,474	-	4,474	2,972
-	-	-	107,988	103,972
-	-	-	3,492	3,165
-	4,474	-	115,955	110,109
5,170	1,683	415	9,558	5,895
-	-	-	154	-
60	3	-	4,695	9,026
(3,683)	(1,323)	(307)	(13,282)	(11,419)
(3,623)	(1,320)	(307)	(8,432)	(2,392)
1,547	362	107	1,125	3,502
3,206	3,999	2,789	20,892	18,498
-	-	-	-	(1,108)
3,206	3,999	2,789	20,892	17,390
$ 4,753	$ 4,361	$ 2,896	$ 22,018	$ 20,892

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MOTOR VEHICLE ACCIDENT CLAIMS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	400	510	110
Operating transfers in	-	-	-
Total Revenues and Other Sources	400	511	111
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	1,089	475	613
Labor	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,089	475	613
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (689)	35	$ 724
Reconciling Items:			
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		35	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,820	
Ending balances (GAAP Basis)		$ 1,856	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND			MICHIGAN JUSTICE TRAINING FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ 5	$ 5	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	3,800	4,940	1,140	-	-	-
3,900	2,741	(1,158)	100	230	130	5,600	6,158	558
-	1	1	-	60	60	-	3	3
3,900	2,747	(1,152)	3,900	5,231	1,331	5,600	6,161	561
-	-	-	-	-	-	6,000	5,798	201
-	-	-	-	-	-	-	-	-
2,961	2,842	118	3,752	3,683	68	-	-	-
2,961	2,842	118	3,752	3,683	68	6,000	5,798	201
$ 939	(94)	$ (1,033)	$ 147	1,547	$ 1,400	$ (400)	362	$ 762
	-			-			-	
	-			-			-	
	(94)			1,547			362	
	8,243			3,206			3,999	
	$ 8,149			$ 4,753			$ 4,361	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED	
	MICHIGAN EMPLOYMENT SECURITY ACT ADMINISTRATION FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES		
From federal agencies	$ -	$ -
From licenses and permits	-	-
Miscellaneous	-	-
Operating transfers in	-	-
Total Revenues and Other Sources	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT		
Management and Budget	-	-
State	-	-
Labor	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-
Reconciling Items:		
Funds not annually budgeted	(833)	107
Net Reconciling Items	(833)	107
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(833)	107
FUND BALANCES (GAAP BASIS)		
Beginning balances	833	2,789
Ending balances (GAAP Basis)	$ -0-	$ 2,896

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ 5	$ 5
3,800	4,940	1,140
10,000	9,641	(358)
-	65	65
13,800	14,651	851
6,000	5,798	201
1,089	475	613
6,713	6,526	187
13,803	12,800	1,002
$ (3)	1,851	$ 1,854
	(725)	
	(725)	
	1,125	
	20,892	
	$ 22,018	

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, which is commonly referred to as the Budget Stabilization Fund, was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times. Funds flow from this fund to the General Fund in times of declining economy. Subject to certain limits, funds can also be transferred out or reserved to help finance capital outlay projects.

Amounts transferred to the fund are limited to actual appropriations made annually by the Legislature. Such appropriations may be based on a formula that is dependent on the annual growth rate as defined by the statute.

Transfers from the fund are based upon a formula which is dependent upon unemployment rates; however, under certain conditions the Legislature may override the formula and make limited appropriations from the fund. In the event that the fund balance at year end exceeds 25% of the actual General Fund general purpose revenue for the fiscal year, the law provides that the excess be rebated on the individual income tax returns filed in the following fiscal year.

MICHIGAN VETERANS' BENEFIT (TRUST) FUND

This fund was created by P.A. 9 of 1946 (First Extra Session). The purpose of the fund is to account for the earnings of the fund, consisting primarily of interest earned on a $50.0 million trust corpus, and the distribution of such earnings to veterans and their beneficiaries for various assistance programs and for the administrative costs of the fund. The trust corpus has periodically, by statute, been transferred (in 1959 and 1976) to the General Fund. The statutes authorizing these transfers have provided for an annual repayment schedule from the General Fund so that the principal is restored to its original level and the annual operating needs of the trust fund are met. The corpus balance in the fund is reflected on the balance sheet as "Funds held for permanent investment." The fund is administered by a six member board of trustees.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to furnish aid to school districts and provide financing for the Public School Employees' Retirement System. The principal sources of financing are the constitutional dedication of sixty percent of total State sales tax revenue, statutory levies of a one mill cigarette tax, a four percent liquor excise tax, annual transfers from the General Fund, and transfers from the State Lottery Fund. Payments of aid to school districts are based on a statutory formula which provides that if dedicated tax and other revenues are not sufficient, the deficiency is to be appropriated from the General Fund.

VIETNAM VETERAN ERA BONUS FUND

This fund was established by P.A. 370 of 1974, as amended, to account for the proceeds of $205 million authorized general obligation bonds approved by the people in November, 1974, to provide a service bonus to veterans, or their beneficiaries, who served in the armed forces of the United States between January 1, 1961 and September 1, 1973. Applications for benefits under this act were to be filed or received before September 30, 1980. Administrative costs for processing all bonus payments are in the General Fund.

The payment of service bonuses has been prolonged due to a federal court action which resulted in the redetermination of all denied claims and the determination of additional new claims.

SCHOOL BOND LOAN FUND

The 1963 Constitution (Art. IX, Sec. 16) and P.A. 74 of 1955 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. The proceeds of these bonds are credited to the fund as an "Other Financing Source." Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. These are reflected as expenditures of the fund when the loan is made. Repayments of loans are credited as revenue to the School Loan Bond Redemption Fund, a debt service fund which reports the debt service on the State bonds.

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund child abuse and neglect prevention activities in the State.

Funding is derived from taxpayer designation of a portion of the tax refund on the individual's income tax return, other gifts, and interest earnings. One half of the tax refund designations are placed in a trust corpus. When the total assets of the fund exceed $20 million, the earnings credited to the fund will be available for disbursement. Until that time, the amount available for disbursement is limited to 1/2 of tax refund designations, all additional donations, and interest earnings credited to the fund in previous years.

STATE OF MICHIGAN

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS

SEPTEMBER 30, 1987

(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 2	$ -
Equity in Common Cash	378,062	14,147	-
Taxes, interest, and penalties receivable (at net)	-	-	133,564
Amounts due from other funds	6,288	394	-
Amounts due from federal agencies	-	-	275
Amounts due from local units	-	440	-
Other current assets	-	579	-
Total Current Assets	384,350	15,564	133,840
Taxes, interest, and penalties receivable (at net)	-	-	2,757
Advances to other funds	-	2,015	-
Amounts due from local units	-	-	9,238
Investments	-	14,033	-
Total Assets	$ 384,350	$ 31,613	$ 145,836
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ 132,693
Warrants outstanding	-	124	-
Accounts payable and other liabilities	-	273	1,146
Amounts due to other funds	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	-	397	133,840
Long-Term Liabilities:			
Deferred revenue	-	-	2,757
Total Liabilities	-	397	136,597
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	-	-	-
Restricted revenues	-	773	-
Multi-year projects	32,307	-	-
Funds held as permanent investments	-	27,034	-
Noncurrent assets	-	2,015	9,238
Total Reserved	32,307	29,823	9,238
Unreserved	352,043	1,392	-
Total Fund Balances	384,350	31,215	9,238
Total Liabilities and Fund Balances	$ 384,350	$ 31,613	$ 145,836

VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ 2	$ -
1,320	2,693	1,574	397,799	396,641
-	-	-	133,564	100,488
-	-	18	6,701	6,131
-	-	-	275	156
-	-	-	440	328
-	-	51	631	1,126
1,320	2,693	1,645	539,415	504,873
-	-	-	2,757	2,462
-	-	-	2,015	2,130
-	-	-	9,238	9,565
-	-	946	14,980	14,998
$ 1,320	$ 2,693	$ 2,591	$ 568,407	$ 534,030
$ -	$ -	$ -	$ 132,693	$ 99,650
-	-	4	129	212
-	15	76	1,512	961
-	-	-	-	1
-	-	-	-	501
-	15	82	134,335	101,327
-	-	-	2,757	2,462
-	15	82	137,093	103,789
-	-	41	41	3
-	-	-	773	254
-	-	-	32,307	26,718
-	-	2,118	29,152	24,401
-	-	-	11,254	11,696
-	-	2,159	73,528	63,075
1,320	2,678	350	357,785	367,165
1,320	2,678	2,509	431,313	430,240
$ 1,320	$ 2,693	$ 2,591	$ 568,407	$ 534,030

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
REVENUES			
Taxes....................................	$ -	$ -	$ 1,528,473
From federal agencies....................	-	-	41,196
From local agencies......................	-	-	746
Miscellaneous............................	24,072	2,236	-
Total Revenues........................	24,072	2,236	1,570,416
EXPENDITURES			
Current:			
General government.....................	-	4,563	-
Education..............................	-	-	2,554,128
Public safety and corrections..........	-	-	-
Total Expenditures....................	-	4,563	2,554,128
Excess of Revenues over (under) Expenditures.........................	24,072	(2,327)	(983,711)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues................	-	-	-
Operating transfers in...................	-	9,150	983,384
Operating transfers out..................	(24,773)	(2,699)	-
Total Other Financing Sources (Uses)...	(24,773)	6,450	983,384
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses..........................	(701)	4,123	(327)
Fund Balances - Beginning of fiscal year....	385,052	27,092	9,565
Fund Balances - End of fiscal year.........	$ 384,350	$ 31,215	$ 9,238

VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ 1,528,473	$ 1,464,533
-	-	-	41,196	38,750
-	-	-	746	862
-	-	1,400	27,709	32,297
-	-	1,400	1,598,126	1,536,444
-	-	1,342	5,906	6,018
-	2,590	-	2,556,718	2,447,389
1	-	-	1	-
1	2,590	1,342	2,562,626	2,453,408
(1)	(2,590)	58	(964,499)	(916,963)
-	-	-	-	7,518
-	-	517	993,052	978,354
-	-	(6)	(27,479)	(17,819)
-	-	511	965,572	968,053
(1)	(2,590)	569	1,072	51,089
1,321	5,269	1,940	430,240	379,151
$ 1,320	$ 2,678	$ 2,509	$ 431,313	$ 430,240

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	-	-
From local agencies	-	-	-
Miscellaneous	21,200	24,072	2,872
Operating transfers in	34,900	-	(34,900)
Total Revenues and Other Sources	56,100	24,072	(32,027)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	26,680	24,773	1,907
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	26,680	24,773	1,907
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 29,419	(701)	$ (30,120)
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(701)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		385,052	
Ending balances (GAAP Basis)		$ 384,350	

MICHIGAN VETERANS' BENEFIT (TRUST) FUND			SCHOOL AID FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 1,510,300	$ 1,528,473	$ 18,173
-	-	-	39,500	41,196	1,696
-	-	-	800	746	(53)
1,300	2,236	936	-	-	-
7,200	9,150	1,950	976,400	983,384	6,984
8,500	11,387	2,887	2,527,000	2,553,800	26,800
8,111	7,263	848	-	-	-
-	-	-	2,554,128	2,554,128	-
8,111	7,263	848	2,554,128	2,554,128	-
$ 388	4,123	$ 3,735	$ (27,128)	(327)	$ 26,800
	-			-	
	-			-	
	-			-	
	4,123			(327)	
	27,092			9,565	
	$ 31,215			$ 9,238	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND BUDGET	 ACTUAL	 VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	-	-
From local agencies	-	-	-
Miscellaneous	2,200	1,400	(799)
Operating transfers in	-	517	517
Total Revenues and Other Sources	2,200	1,918	(281)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	1,700	1,390	310
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,700	1,390	310
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 499	528	$ 28
Reconciling Items:			
Encumbrances at September 30		41	
Funds not annually budgeted		-	
Net Reconciling Items		41	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		569	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,940	
Ending balances (GAAP Basis)		$ 2,509	

FUNDS NOT ANNUALLY BUDGETED		TOTALS		
VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND			
ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ 1,510,300	$ 1,528,473	$ 18,173
-	-	39,500	41,196	1,696
-	-	800	746	(53)
-	-	24,700	27,709	3,009
-	-	1,018,500	993,052	(25,447)
-	-	2,593,800	2,591,178	(2,621)
-	-	36,493	33,427	3,065
-	-	2,554,128	2,554,128	-
-	-	2,590,621	2,587,555	3,065
-	-	$ 3,178	3,622	$ 444
-	-		41	
(1)	(2,590)		(2,591)	
(1)	(2,590)		(2,550)	
(1)	(2,590)		1,072	
1,321	5,269		430,240	
$ 1,320	$ 2,678		$ 431,313	

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DESCRIPTIONS OF SPECIAL REVENUE FUNDS - COMPONENT UNITS

FISCAL YEAR ENDED September 30, 1987

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (state buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the General Long-Term Obligations Account Group.

The special revenue fund, which accounts for construction costs for higher education projects, reports bond proceeds as an "other financing source," investment revenue earned during construction as "miscellaneous revenue," and construction expenditures as grant expenditures. Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service and the transfer of assets remaining after a project's completion to the debt service fund.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. The Authority consists of an eleven member commission, nine of whom are appointed by the Governor with the advice and consent of the Senate and two of whom are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, which are not recorded as liabilities of the Authority because of their nature. Reflected in these statements are the administrative costs and related revenues of the Authority.

MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY

The Michigan Family Farm Development Authority was created by P.A. 220 of 1982 to assist beginning farmers in financing the purchase of agricultural land and equipment. Members of the Authority are appointed by the Governor. Financing for the loans to beginning farmers is provided by issuance of limited obligation revenue bonds. The Authority operations are financed by loan application and issuance fees and subsidies from the General Fund as appropriated within the Department of Agriculture.

MACKINAC BRIDGE AUTHORITY

The Authority was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the operation and maintenance of the bridge is provided by fares and earnings on investments. Debt service transactions are reflected in a debt service fund and bonds payable were recorded in the General Long-Term Obligations Account Group. As explained in Note #21, the Authority redeemed its remaining bonds on July 1, 1986. State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for all the subsidies provided. The Authority has not recorded a liability and the State funds have not recorded receivables for the subsidies because the reimbursements are contingent upon future net revenues and the repayment commitment is long-term and budgetary in nature. The Authority has a December 31 fiscal year-end, but it publishes audited financial statements semi-annually and the amounts reflected in this report are for the twelve months ending June 30, 1987.

STATE OF MICHIGAN

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS - COMPONENT UNITS

SEPTEMBER 30, 1987
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,232	$ -	$ 40
Amounts due from other funds	455	101	-
Amounts due from local units	-	17	-
Investments	37,573	-	-
Other current assets	470	-	-
Total Current Assets	40,731	119	40
Investments	1,940	-	-
Total Assets	$ 42,671	$ 119	$ 40
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ 7,529	$ 69	$ -
Amounts due to other funds	6,147	-	-
Deferred revenue	-	-	-
Total Current Liabilities	13,676	69	-
Total Liabilities	13,676	69	-
Fund Balances:			
Reserves for:			
Construction and debt service	28,994	-	-
Total reserved	28,994	-	-
Unreserved	-	50	40
Total Fund Balances	28,994	50	40
Total Liabilities and Fund Balances	$ 42,671	$ 119	$ 40

MACKINAC BRIDGE AUTHORITY	TOTALS	
	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 453	$ 2,725	$ 395
-	557	408
-	17	19
7,241	44,815	16,147
113	583	146
7,808	48,699	17,117
-	1,940	-
$ 7,808	$ 50,639	$ 17,117
$ 402	$ 8,001	$ 2,285
91	6,239	2,902
155	155	58
649	14,395	5,245
649	14,395	5,245
-	28,994	7,197
-	28,994	7,197
7,158	7,248	4,674
7,158	36,243	11,871
$ 7,808	$ 50,639	$ 17,117

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
REVENUES			
From services	$ -	$ 90	$ -
From licenses and permits	-	-	-
Miscellaneous	2,015	-	1
Total Revenues	2,015	90	2
EXPENDITURES			
Current:			
General government	-	-	-
Education	31,331	90	-
Conservation, recreation, and agriculture	-	-	20
Transportation	-	-	-
Total Expenditures	31,331	90	20
Excess of Revenues over (under) Expenditures	(29,316)	-	(18)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	75,266	-	-
Operating transfers in	-	-	20
Operating transfers out	(24,153)	-	-
Total Other Financing Sources (Uses)	51,113	-	20
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	21,797	-	1
Fund Balances - Beginning of fiscal year	7,197	50	38
Equity transfers from other funds	-	-	-
Equity transfers to other funds	-	-	-
Fund Balances - End of fiscal year	$ 28,994	$ 50	$ 40

	TOTALS	
	FISCAL YEARS ENDED	
MACKINAC BRIDGE AUTHORITY	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ 91	$ 67
5,392	5,392	4,945
360	2,376	5,149
5,753	7,860	10,162
-	-	157
-	31,422	22,688
-	20	87
3,716	3,716	3,509
3,716	35,159	26,443
2,036	(27,298)	(16,280)
-	75,266	-
-	20	4,004
-	(24,153)	(73,000)
-	51,134	(68,995)
2,036	23,835	(85,275)
4,586	11,872	98,843
535	535	-
-	-	(1,696)
$ 7,158	$ 36,243	$ 11,871

STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all State Trunkline Fund related bond issues. As of October 1, 1986, the debt service funds for outstanding bond issues were merged by equity transfer into this debt service fund. Any future State Trunkline Fund related bond issues will also be accounted for in this fund. The funds merged include the 1983 State Trunkline Fund Bond and Interest Redemption Fund, the 1984 State Trunkline Fund Bond and Interest Redemption Fund, the 1986 State Trunkline Refunding Bond and Interest Redemption Fund, and the Michigan Trunkline Bond and Interest Redemption Fund - Series II through IX.

The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND

Public Act 329 of 1966 established this fund to account for retiring bond issues of the Water Pollution Control Bond Fund. The Legislature appropriates funds from the General Fund to meet the bond principal and interest requirements and paying agent fees.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund related bond issues. As of October 1, 1986, the debt service funds for outstanding bond issues were merged by equity transfer into this debt service fund. Any future Comprehensive Transportation Fund related bond issues will also be accounted for in this fund. The funds merged include the Comprehensive Transportation Bond and Interest Redemption Fund, and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund.

The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 108 of 1969 and services bond issues of the Public Recreation Bond Fund. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND

Created by P.A. 370 of 1974, the purpose of this fund is to account for the debt service of general obligation bonds which were issued to finance bonuses paid to veterans or their beneficiaries. Financing is provided by an annual appropriation in the General Fund.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 established this fund. Monies in this fund are utilized for payment of interest and redemption of bonds issued to provide financing for loans to school districts. Funding is furnished by an annual appropriation from the General Fund and/or repayments of loans by school districts.

STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

STATE PARK REVENUE BOND FUND

This fund was created pursuant to P.A. 149 of 1960 which initiated a State park improvement program by authorizing the Department of Natural Resources to issue up to $10 million of revenue dedicated bonds to finance land acquisition, construction, and improvement of State parks. P.A. 286 of 1967 increased the authorized amount of such bonds to $20 million.

Public Act 149 of 1960, as amended, also provides that park permit fees for motor vehicle entry into certain State parks be deposited with the State Treasurer who is designated as fiscal agent. Such proceeds are to be allocated in the following order of priority: debt service requirements, fiscal agent expenses, bond reserve, operations and park improvements. Operating transfers out of this fund consist mainly of amounts transferred to the State Park Improvement Fund to finance park operations and improvements as appropriated by the Legislature.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. Construction projects which are in process are reported in either a capital projects fund or a special revenue fund. Balances related to completed projects, as well as amounts set aside for debt service on in-process projects, are reported in this debt service fund. Bonds payable are included in the General Long-Term Obligations Account Group.

Each project of the Authority is financed by specific callable bonds, the proceeds of which can only be used for construction and debt service on that project. For completed projects, the resources to finance bond interest and redemption are provided by operating transfers from the General Fund and from investments and earnings of this fund. During construction, debt service requirements are financed by a portion of the bond proceeds which are dedicated for that purpose. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service.

MACKINAC BRIDGE AUTHORITY

The Mackinac Bridge Authority was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the construction of the bridge was provided by the issuance of $79.8 million of Series A bonds and $20.0 million of Series B bonds, both issued in 1954.

Resources to finance the requirements for bond interest and redemption were provided by earnings on investments and operating transfers from the Authority's special revenue fund. The ongoing operations of the Authority are reported in a special revenue fund and bonds payable were reflected in the General Long-Term Obligations Account Group. The Authority redeemed its remaining bonds on July 1, 1986. This debt service fund was closed by equity transfer to the special revenue fund. The Authority has a December 31 year-end, but it publishes audited financial statements semi-annually and the amounts reported in its June 30 statements are the amounts reflected in this report.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 1987
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Equity in Common Cash	13	-	-	-
Amounts due from other funds	3	-	-	-
Investments	-	-	-	-
Other current assets	-	-	-	-
Total Current Assets	17	-	-	-
Investments	-	-	-	-
Total Assets	$ 17	$ -0-	$ -0-	$ -0-
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable and other liabilities	$ -	$ -	$ -	$ -
Amounts due to other funds	-	-	-	-
Total Current Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Restricted revenues	-	-	-	-
Total reserved	-	-	-	-
Unreserved	16	-	-	-
Total Fund Balances	16	-0-	-0-	-0-
Total Liabilities and Fund Balances	$ 17	$ -0-	$ -0-	$ -0-

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND	SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	STATE BUILDING AUTHORITY	TOTALS	
				SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ -	$ -	$ 2,232	$ 2,232	$ 4,707
-	2,412	-	-	2,426	6,282
-	-	10	5,733	5,747	1,404
-	-	1,402	118,726	120,128	67,563
-	-	208	2,980	3,189	2,409
-	2,412	1,620	129,672	133,723	82,367
-	-	1,565	70,343	71,909	82,927
$ -0-	$ 2,412	$ 3,186	$ 200,016	$ 205,633	$ 165,294
$ -	$ -	$ -	$ 3	$ 3	$ 4,482
-	-	1	4,420	4,422	19,535
-	-	1	4,423	4,425	24,017
-	-	1	4,423	4,425	24,017
-	-	348	-	348	1,131
-	-	348	-	348	1,131
-	2,412	2,836	195,593	200,858	140,146
-0-	2,412	3,184	195,593	201,207	141,277
$ -0-	$ 2,412	$ 3,186	$ 200,016	$ 205,633	$ 165,294

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND
REVENUES				
From local agencies	$ -	$ -	$ -	$ -
From licenses and permits	-	-	-	-
Miscellaneous	40	-	-	-
Total Revenues	40	-	-	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Transportation	-	-	-	-
Debt Service:				
Bond principal retirement	14,190	13,000	5,665	1,000
Bond interest and fiscal charges	15,148	7,011	16,406	117
Total Expenditures	29,338	20,011	22,071	1,117
Excess of Revenues over (under) Expenditures	(29,297)	(20,011)	(22,071)	(1,117)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bond issue	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Operating transfers in	28,505	20,011	22,056	1,117
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	28,505	20,011	22,055	1,117
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(791)	-	(15)	-
Fund Balances - Beginning of fiscal year	-0-	-0-	-0-	-0-
Equity transfers from other funds	808	-	15	-
Equity transfers to other funds	-	-	-	-
Fund Balances - End of fiscal year	$ 16	$ -0-	$ -0-	$ -0-

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND	SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	STATE BUILDING AUTHORITY	MACKINAC BRIDGE AUTHORITY
$ -	$ 4,963	$ -	$ -	$ -
-	-	5,681	-	-
-	-	384	13,456	30
-	4,963	6,066	13,456	30
-	-	-	121	-
-	-	-	-	-
20,000	6,300	825	16,084	885
1,879	1,920	580	44,955	60
21,879	8,220	1,405	61,161	945
(21,879)	(3,256)	4,661	(47,705)	(914)
-	-	-	-	-
-	-	-	-	-
21,879	-	-	114,233	-
-	-	(5,744)	-	-
21,879	-	(5,744)	114,233	-
-	(3,256)	(1,083)	66,528	(914)
-0-	5,669	4,268	129,065	1,449
-	-	-	-	-
-	-	-	-	(535)
$ -0-	$ 2,412	$ 3,184	$ 195,593	$ -0-

This statement continued on next page.

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(In Thousands)

	1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1986 STATE TRUNKLINE REFUNDING BOND AND INTEREST REDEMPTION FUND	MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND SERIES II THRU IX
REVENUES				
From local agencies	$ -	$ -	$ -	$ -
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Transportation	-	-	-	-
Debt Service:				
Bond principal retirement	-	-	-	-
Bond interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over (under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bond issue	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-	-
Fund Balances - Beginning of fiscal year	4	-0-	804	-0-
Equity transfers from other funds	-	-	-	-
Equity transfers to other funds	(4)	-	(804)	-
Fund Balances - End of fiscal year	$ -0-	$ -0-	$ -0-	$ -0-

COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND AND INTEREST REDEMPTION FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1987	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986
$ -	$ -	$ 4,963	$ 8,607
-	-	5,681	5,244
-	-	13,912	15,879
-	-	24,557	29,731
-	-	121	192
-	-	-	359
-	-	77,949	77,727
-	-	88,081	84,827
-	-	166,152	163,105
-	-	(141,594)	(133,374)
-	-	-	570,302
-	-	-	(624,148)
-	-	207,805	445,744
-	-	(5,744)	(206,555)
-	-	202,060	185,343
-	-	60,465	51,969
4	11	141,277	89,307
-	-	824	-
(4)	(11)	(1,359)	-
$ -0-	$ -0-	$ 201,207	$ 141,277

STATE OF MICHIGAN

DESCRIPTIONS OF CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

PUBLIC RECREATION BOND FUND

This fund was established by P.A. 108 of 1969 to account for the proceeds of $100.0 million general obligation public recreation bonds approved by the people in November, 1968. This approval was pursuant to Section 15, Article IX, of the 1963 Constitution and P.A. 257 of 1968.

Public Act 108 of 1969 also allocated $30.0 million for grants to local units for local community recreational projects and the balance of $70.0 million to the Department of Natural Resources to fund the State's recreation program.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (State buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the General Long-Term Obligations Account Group.

This capital projects fund, which accounts for the construction of State projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "Capital outlay." Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction and the transfer of net assets remaining after the completion of a project to the debt service fund. Also included in operating transfers out during 1986-87 was $94.0 million paid to the General Fund for three prisons which had been previously constructed using General Fund capital outlay appropriations. In the State's General Fixed Assets Account Group, accumulated expenditures for incomplete State projects are reflected as "Construction in progress" and completed State projects are recorded as "Buildings."

STATE OF MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1987
(In Thousands)

	PUBLIC RECREATION BOND FUND	STATE BUILDING AUTHORITY	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
ASSETS				
Current Assets:				
Cash and cash equivalents................	$ -	$ -	$ -	$ 6
Equity in Common Cash....................	188	-	188	358
Amounts due from federal agencies........	24	-	24	24
Investments..............................	-	18,133	18,133	13,733
Other current assets.....................	-	357	357	680
Total Current Assets....................	212	18,490	18,703	14,801
Investments..............................	-	1,995	1,995	24,364
Total Assets............................	$ 212	$ 20,486	$ 20,699	$ 39,165
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding.....................	$ 6	$ -	$ 6	$ -
Accounts payable and other liabilities...	18	2,109	2,127	1,389
Amounts due to other funds...............	-	12,593	12,593	-
Total Current Liabilities...............	25	14,702	14,727	1,389
Total Liabilities.......................	25	14,702	14,727	1,389
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances.........................	-	-	-	6
Multi-year projects..................	161	-	161	266
Total reserved..........................	161	-	161	272
Unreserved...............................	26	5,783	5,810	37,503
Total Fund Balances.....................	187	5,783	5,971	37,776
Total Liabilities and Fund Balances.....	$ 212	$ 20,486	$ 20,699	$ 39,165

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
	PUBLIC RECREATION BOND FUND	STATE BUILDING AUTHORITY	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
REVENUES				
From federal agencies	$ 5	$ -	$ 5	$ 104
Miscellaneous	-	1,838	1,838	686
Total Revenues	5	1,838	1,844	790
EXPENDITURES				
Capital outlay	110	20,802	20,913	3,299
Total Expenditures	110	20,802	20,913	3,299
Excess of Revenues over (under) Expenditures	(105)	(18,963)	(19,068)	(2,508)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	-	99,955	99,955	38,733
Operating transfers out	-	(112,690)	(112,690)	(721)
Total Other Financing Sources (Uses)	-	(12,735)	(12,735)	38,012
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(105)	(31,699)	(31,804)	35,503
Fund Balances - Beginning of fiscal year	293	37,483	37,775	2,273
Fund Balances - End of fiscal year	$ 187	$ 5,783	$ 5,971	$ 37,776

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STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
BY CLASSIFICATION
SEPTEMBER 30, 1987
(In Thousands)

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,187	$ 6,846	$ 13,034	$ 11,839
Equity in Common Cash	71,794	-	71,794	55,310
Amounts due from other funds	699	587	1,286	1,692
Amounts due from federal agencies	-	6,447	6,447	2,891
Inventories	53,314	146	53,461	62,232
Investments	27,402	439,370	466,772	539,026
Other current assets	8,493	112,931	121,424	126,947
Total Current Assets	167,891	566,330	734,222	799,940
Mortgages and loans receivable	-	2,864,146	2,864,146	2,876,687
Investments	246,220	1,529,133	1,775,354	1,396,702
Property, plant, and equipment	31,833	3,133	34,966	31,354
Other noncurrent assets	-	4,338	4,338	4,345
Total Assets	$ 445,945	$ 4,967,081	$ 5,413,027	$ 5,109,030
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash	$ 2,400	$ -	$ 2,400	$ 1,839
Warrants outstanding	5,943	-	5,943	6,541
Accounts payable and other liabilities	83,308	31,753	115,062	97,445
Amounts due to other funds	169	603	772	794
Bonds and notes payable	-	148,337	148,337	127,608
Interest payable	-	111,572	111,572	106,627
Deferred revenue	3,213	15,748	18,962	30,197
Escrow funds	-	137,184	137,184	117,442
Total Current Liabilities	95,035	445,199	540,235	488,496
Long-Term Liabilities:				
Prize awards payable	284,353	-	284,353	200,216
Deferred revenue	480	-	480	368
Bonds and notes payable	-	4,276,976	4,276,976	4,133,187
Unamortized premium (discount)	-	(68,444)	(68,444)	(67,813)
Other long-term liabilities	6,111	2,126	8,238	11,161
Total Liabilities	385,981	4,655,858	5,041,840	4,765,617
Fund Equity:				
Retained earnings - undesignated	59,964	95,193	155,158	154,501
Retained earnings - designated	-	216,029	216,029	188,912
Total Fund Equity	59,964	311,223	371,187	343,413
Total Liabilities and Fund Equity	$ 445,945	$ 4,967,081	$ 5,413,027	$ 5,109,030

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
OPERATING REVENUES:				
Operating revenues	$ 1,451,903	$ 22,895	$ 1,474,798	$ 1,452,949
Interest income	2,554	274,801	277,356	278,355
Investment revenue (net)	20,548	137,279	157,827	138,890
Miscellaneous	-	35,606	35,606	51,705
Total Operating Revenues	1,475,005	470,583	1,945,589	1,921,900
OPERATING EXPENSES:				
Salaries, wages, and other administrative	151,745	26,655	178,400	172,287
Interest expense	276	373,908	374,184	361,766
Depreciation	5,817	163	5,981	3,783
Purchases for resale	335,982	138	336,121	339,393
Lottery prize awards	494,563	-	494,563	473,450
Other operating expenses	19,922	54,958	74,880	73,312
Total Operating Expenses	1,008,307	455,825	1,464,132	1,423,994
Operating Income (Loss)	466,698	14,758	481,457	497,906
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	(202)	27	(175)	(96)
Specific tax on spirits	7,405	-	7,405	7,490
Gain (loss) on disposal of assets	(45)	-	(45)	(15)
Federal grant revenues	-	22,540	22,540	14,724
Grant expense	-	(28,796)	(28,796)	(19,974)
Gain (loss) on debt refunding	-	(76)	(76)	(474)
Loss on sale of loans receivable	-	-	-	(3,615)
Other nonoperating revenues (expenses)	-	114	114	42
Total Nonoperating Revenues (Expenses)	7,156	(6,191)	965	(1,918)
Income (Loss) Before Operating Transfers	473,855	8,566	482,422	495,987
OPERATING TRANSFERS:				
Operating transfers in	2,457	20,705	23,162	28,229
Operating transfers out	(476,237)	(1,574)	(477,811)	(485,221)
Total Operating Transfers In (Out)	(473,779)	19,130	(454,648)	(456,991)
Net Income (Loss)	76	27,697	27,774	38,995
Retained Earnings - Beginning of fiscal year - as previously reported	59,888	283,525	343,413	296,751
Effect of accounting change	-	-	-	5,969
Retained Earnings - Beginning of fiscal year - restated	59,888	283,525	343,413	302,721
Equity transfers from other funds	-	-	-	54,723
Equity transfers to other funds	-	-	-	(53,027)
Retained Earnings - End of Fiscal Year	$ 59,964	$ 311,223	$ 371,187	$ 343,413

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ 76	$ 27,697	$ 27,774	$ 38,995
Items not requiring (providing) working capital:				
Depreciation	5,817	163	5,981	3,783
Compensated absences - long-term portion	518	92	610	467
Increases in long-term prize awards	88,193	-	88,193	102,776
Provisions for losses on loans	-	8,574	8,574	6,945
Amortization of deferred items (net)	1,395	17,090	18,486	17,533
Loss (gain) on disposal of fixed assets	45	-	45	15
Contributed fixed assets included in operating transfers	(1,514)	-	(1,514)	(1,199)
Working Capital Provided (Used) From Operations	94,532	53,618	148,150	169,316
From other sources:				
Proceeds from bonds and notes sold	-	382,271	382,271	813,729
Principal repayments on loans	-	208,124	208,124	147,416
Increase in long-term deferred revenues	191	-	191	368
Sale of fixed assets	1	-	1	-
Decrease in noncurrent investments (net)	26,472	3,052	29,524	24,599
Working capital provided by equity transfer in.	-	-	-	67,815
Increase in long-term lease obligations	182	-	182	999
Increase in other long-term liabilities	-	488	488	50
Total Sources (Uses) of Funds	$ 121,380	$ 647,554	$ 768,935	$ 1,224,296
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net)	$ 90,508	$ 299,141	$ 389,650	$ 547,809
New loans issued	-	205,428	205,428	406,109
Decrease in long-term bonds and notes payable	-	254,199	254,199	153,391
Decrease in long-term prize awards payable	23,978	-	23,978	23,460
Increase in other noncurrent assets	-	725	725	22,401
Additions to fixed assets	8,030	95	8,125	3,070
Decrease in long-term deferred revenues	78	-	78	-
Reduction in long-term lease obligations	373	-	373	-
Decrease in other long-term liabilities	-	3,831	3,831	-
Working capital used for equity transfers out	-	-	-	66,119
Net increase (decrease) in working capital	(1,588)	(115,867)	(117,456)	1,933
Total Application of Funds	$ 121,380	$ 647,554	$ 768,935	$ 1,224,296
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ (327)	$ 1,522	$ 1,194	$ (18,984)
Equity in Common Cash	18,564	(2,640)	15,924	(32,089)
Amounts due from other funds	15	(421)	(406)	(16)
Amounts due from federal agencies	-	3,556	3,556	(3,193)
Inventories	(8,727)	(43)	(8,771)	(12,297)
Investments	9,013	(81,267)	(72,253)	3,018
Other current assets	(11,068)	5,545	(5,522)	20,823
Warrants outstanding	(514)	1,112	597	(5,322)
Accounts payable and other liabilities	(10,294)	(7,322)	(17,616)	2,022
Amounts due to other funds	278	(255)	22	452
Bonds and notes payable - current	-	(20,729)	(20,729)	79,023
Interest payable	-	(4,945)	(4,945)	(10,045)
Deferred revenue	1,471	9,764	11,235	(4,882)
Escrow funds	-	(19,742)	(19,742)	(16,575)
Net Increase (Decrease) in Working Capital	$ (1,588)	$ (115,867)	$ (117,456)	$ 1,933

STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS

OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

LIQUOR PURCHASE REVOLVING FUND

The Liquor Purchase Revolving Fund was authorized by P.A. 259 of 1941. The Department of Commerce, Liquor Control Commission is primarily responsible for the fund. Under State monopoly, liquor is sold at retail or wholesale at State liquor stores and through specially designated distributors. The fund accounts for the sales of and the replenishing and transportation of the liquor stock of the various State liquor stores. Administrative, warehousing, and merchandising costs are appropriated in the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with P.A. 431 of 1984.

STATE LOTTERY FUND

Public Act 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Section 4 of Article V of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. Public Act 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket sales be allocated for prize awards. Net income of the fund related to lottery operations is transferred to the School Aid Fund and net income related to bingo and charity games regulation is transferred to the General Fund.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN STATE FAIR REVOLVING FUND

This fund was created by P.A. 224 of 1962, which placed the fund under management of the Michigan State Fair Authority. Public Act 361 of 1978 abolished the Authority and transferred responsibility for the fair and the fund's management to the Department of Natural Resources, which has jurisdiction over the Michigan State Fair grounds in Detroit.

Fund revenues are derived from the operation of the annual State Fair and other exhibits or events, leases, rentals or other charges for use of the buildings and grounds scheduled during the year. Administrative costs are appropriated in the fund. The net income of the fund is transferred to the General Fund as required by P.A. 431 of 1984.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND

Public Act 107 of 1979 provided for creation of a fund to account for the revenues and costs incurred in the publication of the department's magazine, publications, and related materials.

STATE OF MICHIGAN

COMBINING BALANCE SHEET
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS

SEPTEMBER 30, 1987
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,185	$ 4,000	$ 2
Equity in Common Cash	18,659	53,135	-
Amounts due from other funds	-	699	-
Inventories	52,639	195	-
Investments	-	27,402	-
Other current assets	377	7,798	146
Total Current Assets	73,862	93,230	148
Investments	-	246,220	-
Property, plant, and equipment:			
Land	-	-	7,263
Buildings and equipment	14,361	18,334	18,376
Construction in progress	-	-	12
Allowance for depreciation	(6,989)	(11,166)	(8,359)
Total property, plant, and equipment	7,372	7,167	17,293
Total Assets	$ 81,234	$ 346,619	$ 17,441
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ 2,207
Warrants outstanding	5,325	428	187
Accounts payable and other liabilities	30,078	52,241	897
Amounts due to other funds	67	26	70
Deferred revenue	35	2,421	84
Total Current Liabilities	35,506	55,118	3,448
Long-Term Liabilities:			
Prize awards payable	-	284,353	-
Deferred revenue	-	-	191
Other long-term liabilities	4,552	1,331	144
Total Liabilities	40,059	340,803	3,783
Fund Equity:			
Retained earnings - undesignated	41,175	5,815	13,657
Total Fund Equity	41,175	5,815	13,657
Total Liabilities and Fund Equity	$ 81,234	$ 346,619	$ 17,441

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS	
	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ -	$ 6,187	$ 6,514
-	71,794	52,669
-	699	683
479	53,314	62,042
-	27,402	18,388
170	8,493	19,561
650	167,891	159,860
-	246,220	163,658
-	7,263	6,965
125	51,197	42,065
-	12	54
(125)	(26,639)	(20,932)
-	31,833	28,153
$ 650	$ 445,945	$ 351,671
$ 192	$ 2,400	$ 1,839
2	5,943	5,429
90	83,308	73,014
5	169	447
671	3,213	4,684
962	95,035	85,415
-	284,353	200,216
289	480	368
83	6,111	5,783
1,334	385,981	291,783
(684)	59,964	59,888
(684)	59,964	59,888
$ 650	$ 445,945	$ 351,671

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
OPERATING REVENUES:			
Operating revenues	$ 425,959	$ 1,020,543	$ 3,414
Interest income	-	2,554	-
Investment revenue (net)	-	20,548	-
Total Operating Revenues	425,959	1,043,646	3,414
OPERATING EXPENSES:			
Salaries, wages, and other administrative	28,926	117,250	4,637
Interest expense	276	-	-
Depreciation	908	4,271	626
Purchases for resale	335,063	-	-
Lottery prize awards	-	494,563	-
Other operating expenses:			
Amortization of prize award obligation discount	-	19,922	-
Total other operating expenses	-	19,922	-
Total Operating Expenses	365,175	636,007	5,264
Operating Income (Loss)	60,784	407,638	(1,849)
NONOPERATING REVENUES (EXPENSES):			
Interest revenue (expense)	-	-	(196)
Specific tax on spirits	7,405	-	-
Gain (loss) on disposal of assets	(8)	(36)	-
Total Nonoperating Revenues (Expenses)	7,396	(36)	(196)
Income (Loss) Before Operating Transfers	68,180	407,602	(2,045)
OPERATING TRANSFERS:			
Operating transfers in	21	5	2,430
Operating transfers out	(68,202)	(407,607)	(384)
Total Operating Transfers In (Out)	(68,180)	(407,602)	2,045
Net Income (Loss)	-0-	-0-	-0-
Retained Earnings - Beginning of fiscal year - as previously reported	41,175	5,815	13,657
Effect of accounting change	-	-	-
Retained Earnings - Beginning of fiscal year - restated	41,175	5,815	13,657
Retained Earnings - End of Fiscal Year	$ 41,175	$ 5,815	$ 13,657

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS	
	FISCAL YEARS ENDED	
	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,985	$ 1,451,903	$ 1,436,155
-	2,554	2,927
-	20,548	12,725
1,985	1,475,005	1,451,808
930	151,745	148,950
-	276	310
11	5,817	3,629
918	335,982	339,374
-	494,563	473,450
-	19,922	12,438
-	19,922	12,438
1,859	1,008,307	978,154
125	466,698	473,654
(6)	(202)	(112)
-	7,405	7,490
-	(45)	(15)
(6)	7,156	7,362
118	473,855	481,017
-	2,457	2,437
(42)	(476,237)	(484,399)
(42)	(473,779)	(481,962)
76	76	(944)
(760)	59,888	54,863
-	-	5,969
(760)	59,888	60,832
$ (684)	$ 59,964	$ 59,888

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ -0-	$ -0-	$ -0-
Items not requiring (providing) working capital:			
Depreciation	908	4,271	626
Compensated absences - long-term portion	374	122	7
Increase in long-term prize awards	-	88,193	-
Amortization of deferred items (net)	-	1,395	-
Loss (gain) on disposal of fixed assets	8	36	-
Contributed fixed assets included in operating transfers	-	-	(1,514)
Working Capital Provided (Used) From Operations	1,291	94,019	(880)
From other sources:			
Increase in long-term deferred revenues	-	-	191
Sale of fixed assets	1	-	-
Decrease in noncurrent investments (net)	-	26,472	-
Increase in long-term lease obligations	-	182	-
Total Sources (Uses) of Funds	$ 1,293	$ 120,674	$ (689)
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ -	$ 90,508	$ -
Decrease in long-term prize awards payable	-	23,978	-
Additions to fixed assets	1,198	6,393	438
Decrease in long-term deferred revenues	-	-	-
Reduction in long-term lease obligations	373	-	-
Net increase (decrease) in working capital	(278)	(205)	(1,127)
Total Application of Funds	$ 1,293	$ 120,674	$ (689)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ 152	$ -	$ (480)
Equity in Common Cash	5,867	13,257	(475)
Amounts due from other funds	-	23	(8)
Inventories	(8,765)	(11)	-
Investments	-	9,013	-
Other current assets	(17)	(11,008)	(72)
Warrants outstanding	(1,185)	713	(46)
Accounts payable and other liabilities	3,468	(13,860)	13
Amounts due to other funds	210	76	(9)
Deferred revenue	(9)	1,590	(48)
Net Increase (Decrease) in Working Capital	$ (278)	$ (205)	$ (1,127)

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS	
	FISCAL YEARS ENDED	
	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 76	$ 76	$ (944)
11	5,817	3,629
14	518	386
-	88,193	102,776
-	1,395	(286)
-	45	15
-	(1,514)	(1,199)
101	94,532	104,376
-	191	368
-	1	-
-	26,472	24,599
-	182	999
$ 101	$ 121,380	$ 130,342
$ -	$ 90,508	$ 101,699
-	23,978	23,460
-	8,030	2,964
78	78	-
-	373	-
22	(1,588)	2,218
$ 101	$ 121,380	$ 130,342
$ -	$ (327)	$ (909)
(84)	18,564	(1,685)
-	15	(276)
49	(8,727)	(12,302)
-	9,013	15,599
30	(11,068)	2,954
4	(514)	(4,747)
84	(10,294)	1,250
1	278	75
(61)	1,471	2,260
$ 22	$ (1,588)	$ 2,218

STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Authority was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals for capital improvements or debt refinancing. The Act also empowers the Authority to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The Authority is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Public Health). The Authority has a June 30 fiscal year-end.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority within the Department of Education, for the purpose of making loans to qualified students attending participating institutions of higher education. Under a guarantee agreement entered into with the Michigan Higher Education Assistance Authority, all student loans are guaranteed as to 100% of principal and interest. The Authority may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. The Authority is governed by the sixteen members of the Michigan Higher Education Assistance Authority who are appointed by the Governor with the consent of the Senate. The Superintendent of Public Instruction, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority (MHEAA) was created by the Legislature through P.A. 77 of 1960 and is governed by a sixteen member board, each member being appointed by the Governor with the advice and consent of the Senate. The Authority is empowered to guarantee 100% of principal and interest on loans to persons attending eligible post-secondary educational institutions in Michigan. The federal government reimburses the Authority for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds. Operating transfers to the Commission are principally from the General Fund for park operations.

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 to help diversify the economy of the State and provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. The MSF is governed by a board of nine members, consisting of the Directors of the State Departments of Commerce and Treasury plus seven members appointed by the Governor with the advice and consent of the Senate. Administratively, the MSF is within the Department of Commerce. The MSF succeeded to the rights, properties, obligations and duties of the Michigan Job Development Authority and Michigan Economic Development Authority. Effective October 1, 1985, the fund balances/retained earnings of these authorities were transferred to the MSF.

The MSF is authorized to issue various types of limited obligation debt. The MSF also receives oil and gas related revenues through the Michigan Natural Resources Trust Fund (a special revenue fund). A portion of those revenues fund research center grants.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority was created by P.A. 346 of 1966, as amended, to issue notes and bonds to finance housing for sale or rental to families with low and moderate incomes and to finance home improvements. Members of the Authority are appointed by the Governor. The Authority has a June 30 fiscal year-end.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
COMPONENT UNITS
SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,714	$ 919	$ 48
Equity in Common Cash	-	-	-
Amounts due from other funds	-	-	475
Amounts due from federal agencies	-	683	5,764
Inventories	-	-	-
Investments	135,230	15,287	21,705
Other current assets:			
Mortgages and loans receivable	52,728	-	-
Interest receivable	24,195	2,316	782
Miscellaneous	-	32	58
Total other current assets	76,923	2,348	841
Total Current Assets	215,867	19,238	28,836
Mortgages and loans receivable	1,120,381	143,212	796
Investments	1,111,802	9,482	24,749
Property, plant, and equipment:			
Land	-	-	-
Buildings and equipment	-	-	-
Construction in progress	-	-	-
Allowance for depreciation	-	-	-
Total property, plant, and equipment	-	-	-
Other noncurrent assets	-	266	-
Total Assets	$ 2,448,050	$ 172,199	$ 54,382
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ -
Accounts payable and other liabilities	20,952	10	5,207
Amounts due to other funds	-	26	-
Bonds and notes payable	52,728	17,276	-
Interest payable	61,550	2,545	-
Deferred revenue	-	-	15,748
Escrow funds	-	-	-
Total Current Liabilities	135,230	19,858	20,955
Long-Term Liabilities:			
Bonds and notes payable	2,350,374	106,100	-
Unamortized premium (discount)	(44,245)	-	-
Other long-term liabilities	-	72	514
Total Liabilities	2,441,359	126,030	21,469
Fund Equity:			
Retained earnings - undesignated	6,691	4,165	29,024
Retained earnings - designated	-	42,002	3,887
Total Fund Equity	6,691	46,168	32,912
Total Liabilities and Fund Equity	$ 2,448,050	$ 172,199	$ 54,382

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,371	$ 100	$ 693	$ 6,846	$ 5,324
-	-	-	-	2,640
111	-	-	587	1,008
-	-	-	6,447	2,891
146	-	-	146	190
320	24,927	241,900	439,370	520,638
-	2,650	-	55,378	51,367
1	636	23,024	50,956	49,473
30	-	6,475	6,597	6,543
32	3,286	29,499	112,931	107,385
1,982	28,313	272,092	566,330	640,080
-	13,950	1,585,806	2,864,146	2,876,687
-	59,103	323,996	1,529,133	1,233,044
225	-	-	225	225
4,342	-	-	4,342	4,244
-	-	-	-	2
(1,435)	-	-	(1,435)	(1,271)
3,133	-	-	3,133	3,201
-	638	3,433	4,338	4,345
$ 5,115	$ 102,007	$ 2,185,327	$ 4,967,081	$ 4,757,358
$ -	$ -	$ -	$ -	$ 1,112
42	-	5,541	31,753	24,431
-	94	483	603	347
22	2,550	75,760	148,337	127,608
4	206	47,267	111,572	106,627
-	-	-	15,748	25,512
-	-	137,184	137,184	117,442
69	2,850	266,235	445,199	403,081
459	18,960	1,801,083	4,276,976	4,133,187
-	-	(24,199)	(68,444)	(67,813)
-	466	1,074	2,126	5,377
528	22,277	2,044,193	4,655,858	4,473,833
-	19,987	35,325	95,193	94,613
4,586	59,742	105,809	216,029	188,912
4,586	79,729	141,134	311,223	283,525
$ 5,115	$ 102,007	$ 2,185,327	$ 4,967,081	$ 4,757,358

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

ENTERPRISE FUNDS

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
OPERATING REVENUES:			
Operating revenues	$ -	$ -	$ 21,130
Interest income	112,047	11,556	-
Investment revenue (net)	86,473	1,925	2,791
Miscellaneous:			
Federal revenues	-	2,316	26,130
Financing fees	-	387	-
Other	1,377	-	-
Total miscellaneous	1,377	2,703	26,130
Total Operating Revenues	199,897	16,185	50,052
OPERATING EXPENSES:			
Salaries, wages, and other administrative	1,204	3,057	3,691
Interest expense	197,571	9,562	-
Depreciation	-	-	-
Purchases for resale	-	-	-
Other operating expenses:			
Provision for losses on loans	-	-	26,150
Amortization of deferred issue costs	-	130	-
Miscellaneous	326	151	14,516
Total other operating expenses	326	282	40,667
Total Operating Expenses	199,101	12,902	44,359
Operating Income (Loss)	796	3,283	5,693
NONOPERATING REVENUES (EXPENSES):			
Interest revenue (expense)	-	-	-
Federal grant revenues	-	-	-
Grant expense	-	-	-
Gain (loss) on debt refunding	-	-	-
Loss on sale of loans receivable	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-
Income (Loss) Before Operating Transfers	796	3,283	5,693
OPERATING TRANSFERS:			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Operating Transfers In (Out)	-	-	-
Net Income (Loss)	796	3,283	5,693
Retained Earnings - Beginning of fiscal year	5,895	42,885	27,219
Equity transfers from other funds	-	-	-
Equity transfers to other funds	-	-	-
Retained Earnings - End of Fiscal Year	$ 6,691	$ 46,168	$ 32,912

			TOTALS	
			FISCAL YEARS ENDED	
MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,765	$ -	$ -	$ 22,895	$ 16,793
-	1,540	149,657	274,801	275,427
-	5,889	40,201	137,279	126,165
-	-	2,705	31,151	46,227
-	780	1,230	2,397	4,097
-	-	680	2,057	1,380
-	780	4,615	35,606	51,705
1,765	8,210	194,473	470,583	470,091
2,846	2,959	12,896	26,655	23,337
-	2,806	163,969	373,908	361,456
163	-	-	163	154
138	-	-	138	18
-	6,700	1,874	34,724	47,246
-	-	602	732	1,264
64	-	4,442	19,500	12,362
64	6,700	6,918	54,958	60,873
3,213	12,465	183,783	455,825	445,840
(1,448)	(4,255)	10,690	14,758	24,251
27	-	-	27	15
-	-	22,540	22,540	14,724
-	(6,256)	(22,540)	(28,796)	(19,974)
(76)	-	-	(76)	(474)
-	-	-	-	(3,615)
114	-	-	114	42
64	(6,256)	-	(6,191)	(9,281)
(1,383)	(10,511)	10,690	8,566	14,969
1,705	19,000	-	20,705	25,792
-	(841)	(733)	(1,574)	(821)
1,705	18,158	(733)	19,130	24,970
321	7,647	9,957	27,697	39,940
4,265	72,082	131,177	283,525	241,888
-	-	-	-	54,723
-	-	-	-	(53,027)
$ 4,586	$ 79,729	$ 141,134	$ 311,223	$ 283,525

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ 796	$ 3,283	$ 5,693
Items not requiring (providing) working capital:			
Depreciation	-	-	-
Compensated absences - long-term portion	-	-	-
Provisions for losses on loans	-	-	-
Amortization of deferred items (net)	-	130	-
Working Capital Provided (Used) from Operations	796	3,413	5,693
From other sources:			
Proceeds from bonds and notes sold	328,059	-	-
Principal repayments on loans	97,287	22,656	6,429
Decrease in noncurrent investments (net)	-	3,052	-
Working capital provided by equity transfer in	-	-	-
Increase in other long-term liabilities	-	72	-
Total Sources (Uses) of Funds	$ 426,142	$ 29,194	$ 12,122
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ 222,716	$ -	$ 9,757
New loans issued	123,062	7,757	6,431
Decrease in long-term bonds and notes payable	74,071	34,553	-
Increase in other noncurrent assets	-	-	-
Additions to fixed assets	-	-	-
Decrease in other long-term liabilities	-	-	3,831
Working capital used for equity transfer out	-	-	-
Net increase (decrease) in working capital	6,293	(13,116)	(7,897)
Total Application of Funds	$ 426,142	$ 29,194	$ 12,122
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ 987	$ 244	$ (84)
Equity in Common Cash	-	-	(2,640)
Amounts due from other funds	-	(17)	(132)
Amounts due from federal agencies	-	121	3,434
Inventories	-	-	-
Investments	13,495	4,003	(5,719)
Other current assets	5,306	(351)	605
Warrants outstanding	-	-	1,112
Accounts payable and other liabilities	(3,273)	(2)	(4,303)
Amounts due to other funds	-	(26)	347
Bonds and notes payable - current	(2,605)	(17,276)	-
Interest payable	(7,617)	187	-
Deferred revenue	-	-	(516)
Escrow funds	-	-	-
Net Increase (Decrease) in Working Capital	$ 6,293	$ (13,116)	$ (7,897)

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 321	$ 7,647	$ 9,957	$ 27,697	$ 39,940
163	-	-	163	154
-	-	92	92	81
-	6,700	1,874	8,574	6,945
-	-	16,960	17,090	17,819
485	14,347	28,883	53,618	64,940
384	-	53,828	382,271	813,729
-	3,370	78,381	208,124	147,416
-	-	-	3,052	-
-	-	-	-	67,815
-	416	-	488	50
$ 869	$ 18,134	$ 161,092	$ 647,554	$ 1,093,953
$ -	$ 37,120	$ 29,548	$ 299,141	$ 446,110
-	5,610	62,568	205,428	406,109
330	2,550	142,695	254,199	153,391
-	588	137	725	22,401
95	-	-	95	106
-	-	-	3,831	-
-	-	-	-	66,119
443	(27,734)	(73,856)	(115,867)	(285)
$ 869	$ 18,134	$ 161,092	$ 647,554	$ 1,093,953
$ 183	$ 72	$ 119	$ 1,522	$ (18,074)
-	-	-	(2,640)	(30,404)
111	(383)	-	(421)	260
-	-	-	3,556	(3,193)
(43)	-	-	(43)	4
200	(29,532)	(63,714)	(81,267)	(12,580)
13	1,636	(1,664)	5,545	17,868
-	-	-	1,112	(574)
(23)	-	280	(7,322)	772
-	(94)	(483)	(255)	377
2	540	(1,390)	(20,729)	79,023
-	26	2,457	(4,945)	(10,045)
-	-	10,281	9,764	(7,143)
-	-	(19,742)	(19,742)	(16,575)
$ 443	$ (27,734)	$ (73,856)	$ (115,867)	$ (285)

STATE OF MICHIGAN

DESCRIPTIONS OF INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

CORRECTIONAL INDUSTRIES REVOLVING FUND

This fund was created by P.A. 210 of 1935 and continued by P.A. 15 of 1968 to account for the financial transactions of a manufacturing and processing industry, employing inmates of the State's correctional institutions. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax exempt organizations.

Public Act 245 of 1980 mandated that the annual General Fund subsidies to this fund be eliminated by October 1, 1985, with the fund being self-sustaining from that date. However, a one-time subsidy was provided during the 1986-87 fiscal year to facilitate this fund's assuming control of the farms previously operated by the State Prison of Southern Michigan and accounted for in the General Fund. This transfer was required by P.A. 213 of 1986.

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively.

FEDERAL SURPLUS REVOLVING FUND

The purpose of the fund is to account for the operations related to and the distribution of surplus federal property to eligible units of State and local agencies for a service charge. The fund was created by administrative decision.

MOTOR TRANSPORT REVOLVING FUND

This fund was established by P.A. 260 of 1947 to provide automotive transportation for State agencies. Activities include purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short term usage. The Motor Transport Division vehicles are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are charged by Motor Transport Division on a monthly basis.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: reproduction, microfilm, mailing, and purchase and storage of paper, stationery, and office supplies. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment.

TELECOMMUNICATIONS REVOLVING FUND

This fund was created by administrative decision, the purpose of which is to provide telecommunication services to other State funds. Administrative costs are appropriated in the General Fund and covered by interfund transfer. The cost of providing services is charged to the agencies on a monthly basis.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the Department of Civil Service's insurance plans which provide state sponsored health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. For those programs where the State purchases full coverage (e.g., health maintenance organizations), premiums are recorded as revenues and expenses. For self-insured (vision, dental, and most health coverage) and partially self-insured (long-term disability and life) benefit programs, the State recognizes revenues, expenses, and liabilities (insurance "reserves") in accordance with accounting principles applicable to insurance accounting in the private sector. This results in the recognition of unearned premiums (deferred revenues), rather than retained earnings, when a program's assets exceed its liabilities.

STATE OF MICHIGAN

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 1987
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3	$ 2	$ -
Equity in Common Cash	9,801	-	-
Amounts due from other funds	-	-	-
Amounts due from federal agencies	15	-	-
Amounts due from local units	72	67	-
Inventories	10,727	-	488
Other current assets	375	48	95
Total Current Assets	20,994	118	584
Property, plant, and equipment:			
Buildings and equipment	19,033	315	66,057
Construction in progress	3,030	-	5,020
Allowance for depreciation	(7,426)	(281)	(25,886)
Total property, plant, and equipment	14,637	33	45,191
Other noncurrent assets	-	-	-
Total Assets	$ 35,632	$ 151	$ 45,775
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Liability to Common Cash	$ -	$ 618	$ 16,327
Warrants outstanding	405	3	323
Accounts payable and other liabilities	2,244	55	2,855
Amounts due to other funds	144	1	8
Deferred revenue	-	-	-
Total Current Liabilities	2,794	679	19,515
Long-Term Liabilities:			
Advances from other funds	5,003	-	-
Deferred revenue	-	-	-
Other long-term liabilities	778	138	384
Total Liabilities	8,576	817	19,899
Fund Equity:			
Retained earnings	27,055	(666)	25,876
Total Fund Equity	27,055	(666)	25,876
Total Liabilities and Fund Equity	$ 35,632	$ 151	$ 45,775

OFFICE SERVICES REVOLVING FUND	TELECOMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,000	$ -	$ -	$ 1,005	$ 1,013
3,304	637	109,026	122,769	115,558
-	-	1,817	1,817	1,629
-	-	-	15	-
25	-	-	165	236
2,442	19	-	13,677	11,226
90	1,234	267	2,112	1,978
6,863	1,890	111,112	141,564	131,643
5,565	16,056	313	107,341	92,760
-	-	-	8,050	133
(3,369)	(2,222)	(279)	(39,465)	(31,968)
2,196	13,833	34	75,926	60,925
-	-	46,908	46,908	38,683
$ 9,059	$ 15,724	$ 158,055	$ 264,398	$ 231,252
$ -	$ -	$ -	$ 16,946	$ 11,786
85	96	287	1,202	559
1,543	4,069	55,774	66,542	63,001
17	7	-	180	219
66	115	65,420	65,601	73,640
1,712	4,289	121,482	150,473	149,206
-	-	-	5,003	-
-	603	-	603	242
917	11,613	22,496	36,327	20,974
2,629	16,506	143,978	192,408	170,423
6,429	(781)	14,076	71,990	60,829
6,429	(781)	14,076	71,990	60,829
$ 9,059	$ 15,724	$ 158,055	$ 264,398	$ 231,252

STATE OF MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
OPERATING REVENUES............................	$ 23,284	$ 786	$ 24,827
OPERATING EXPENSES:			
Salaries, wages, and other administrative...	12,842	729	6,551
Interest expense............................	-	-	-
Depreciation................................	907	7	11,182
Purchases for resale........................	-	-	4,089
Purchases for prison industries............	6,568	-	-
Payment of premiums and claims.............	-	-	1,959
Total Operating Expenses.................	20,318	737	23,782
Operating Income (Loss)..................	2,965	49	1,045
NONOPERATING REVENUES (EXPENSES):			
Gain (loss) on disposal of assets...........	(10)	-	(564)
Other nonoperating revenues (expenses)......	-	-	-
Total Nonoperating Revenues (Expenses)...	(10)	-	(564)
Income (Loss) Before Operating Transfers.	2,954	50	480
OPERATING TRANSFERS:			
Operating transfers in......................	971	-	2
Operating transfers out.....................	(86)	(31)	(530)
Total Operating Transfers In (Out).......	884	(30)	(528)
Net Income (Loss)........................	3,839	19	(47)
Retained Earnings - Beginning of fiscal year	21,842	(685)	25,625
Equity transfer from other funds...........	559	-	-
Equity transfer to other funds.............	-	-	-
Contributed capital - fixed assets..........	813	-	298
Retained Earnings - End of fiscal year......	$ 27,055	$ (666)	$ 25,876

			TOTALS	
			FISCAL YEARS ENDED	
OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 26,904	$ 11,584	$ 276,765	$ 364,154	$ 315,628
8,619	9,660	14,725	53,128	46,203
-	428	-	428	-
642	1,655	21	14,415	11,290
15,067	-	-	19,156	18,676
-	-	-	6,568	6,580
-	-	257,535	259,495	223,048
24,329	11,743	272,281	353,193	305,800
2,575	(158)	4,484	10,961	9,827
(47)	-	-	(623)	(591)
-	38	-	38	(21)
(47)	38	-	(585)	(612)
2,527	(120)	4,483	10,376	9,214
5	-	-	979	1,084
(1,049)	(148)	(20)	(1,866)	(1,686)
(1,044)	(148)	(20)	(887)	(602)
1,483	(269)	4,463	9,489	8,612
4,946	(512)	9,613	60,829	52,454
-	-	-	559	137
-	-	-	-	(1,143)
-	-	-	1,112	768
$ 6,429	$ (781)	$ 14,076	$ 71,990	$ 60,829

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ 3,839	$ 19	$ (47)
Items not requiring (providing) working capital:			
Depreciation	907	7	11,182
Compensated absences - long-term portion	49	12	41
Disability claims - long-term portion	-	-	-
Loss (gain) on disposal of fixed assets	10	-	564
Working Capital Provided (Used) from Operations	4,806	38	11,741
From other sources:			
Increase in long-term deferred revenues	-	-	-
Sale of fixed assets	1	7	2,336
Equity transfers from other funds	559	-	-
Increase in long-term lease obligations	-	-	-
Increase in advances and other long-term liabilities	5,003	-	-
Contributed capital - fixed assets	813	-	298
Total Sources (Uses) of Funds	$ 11,185	$ 46	$ 14,376
APPLICATION OF FUNDS:			
Increase in other noncurrent assets (net)	$ -	$ -	$ -
Additions to fixed assets	9,051	-	22,538
Reduction in long-term lease obligation	-	-	-
Equity transfers to other funds	-	-	-
Net increase (decrease) in working capital	2,133	46	(8,162)
Total Application of Funds	$ 11,185	$ 46	$ 14,376
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ -	$ -	$ (6)
Equity in Common Cash	617	47	(6,293)
Amounts due from other funds	-	-	-
Amounts due from federal agencies	15	-	-
Amounts due from local units	(48)	(33)	-
Inventories	2,551	-	3
Other current assets	(246)	45	(52)
Warrants outstanding	(367)	(2)	(59)
Accounts payable and other liabilities	(327)	(17)	(1,782)
Amounts due to other funds	(60)	6	28
Deferred revenue	-	-	-
Net Increase (Decrease) in Working Capital	$ 2,133	$ 46	$ (8,162)

OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,483	$ (269)	$ 4,463	$ 9,489	$ 8,612
642	1,655	21	14,415	11,290
61	25	121	311	331
-	-	3,566	3,566	5,158
47	-	-	623	574
2,235	1,411	8,172	28,406	25,967
-	360	-	360	242
178	-	-	2,523	2,916
-	-	-	559	137
1	11,474	-	11,476	-
-	-	-	5,003	-
-	-	-	1,112	768
$ 2,415	$ 13,245	$ 8,172	$ 49,442	$ 30,032
$ -	$ -	$ 8,224	$ 8,224	$ 10,532
639	329	3	32,563	37,958
-	-	-	-	15
-	-	-	-	1,143
1,776	12,916	(55)	8,654	(19,616)
$ 2,415	$ 13,245	$ 8,172	$ 49,442	$ 30,032
$ -	$ -	$ (1)	$ (8)	$ (1,099)
1,939	1,722	4,018	2,051	14,526
-	-	187	187	(54)
-	-	-	15	-
12	(1)	-	(71)	(1)
(102)	-	-	2,451	2,084
(20)	1,071	(663)	133	(595)
(6)	43	(250)	(643)	(486)
(110)	10,144	(11,447)	(3,541)	(10,739)
56	9	-	39	4
9	(72)	8,101	8,038	(23,255)
$ 1,776	$ 12,916	$ (55)	$ 8,654	$ (19,616)

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STATE OF MICHIGAN

COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS - BY CLASSIFICATION

SEPTEMBER 30, 1987
(In Thousands)

				TOTALS	
	EXPENDABLE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986 (RESTATED)*
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 10,825	$ 10	$ 2,926	$ 13,761	$ 3,462
Equity in Common Cash	335,391	80,466	20,895	436,753	595,054
Taxes, interest, and penalties receivable	153,824	-	-	153,824	13,528
Amounts due from other funds	12,835	11,403	239	24,477	37,179
Amounts due from federal agencies	16,597	-	489	17,087	15,747
Amounts due from local units	16,810	30,672	153	47,635	42,286
Investments	1,311,110	2,332,727	-	3,643,837	1,773,482
Other current assets	54,905	246,221	1,264	302,391	231,061
Total Current Assets	1,912,300	2,701,501	25,968	4,639,769	2,711,801
Taxes, interest, and penalties receivable	2,380	-	-	2,380	12,800
Amounts due from local units	784	-	-	784	1,490
Investments	1,238,074	11,480,517	573,426	13,292,017	11,749,605
Other noncurrent assets	1,878	-	264,884	266,763	260,622
Total Assets	$ 3,155,418	$14,182,018	$ 864,279	$18,201,715	$14,736,319
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Liability to Common Cash	$ -	$ -	$ -	$ -	$ 3,191
Warrants outstanding	2,356	16,615	139	19,111	77,081
Accounts payable and other liabilities	236,426	400,762	8,560	645,749	372,395
Amounts due to other funds	7,688	-	160	7,848	3,888
Deferred revenue	21,354	-	-	21,354	18,709
Total Current Liabilities	267,825	417,377	8,860	694,063	475,266
Long-Term Liabilities:					
Advances from other funds	2,015	-	-	2,015	2,280
Advances from federal agencies	952,609	-	-	952,609	-
Deferred revenue	2,380	-	-	2,380	12,800
Other long-term liabilities	-	-	855,419	855,419	727,996
Total Liabilities	1,224,831	417,377	864,279	2,506,488	1,218,343
Fund Balances:					
Reserved	-	13,764,640	-	13,764,640	11,967,917
Unreserved	1,930,586	-	-	1,930,586	1,550,059
Total Fund Balances	1,930,586	13,764,640	-0-	15,695,227	13,517,976
Total Liabilities and Fund Balances	$ 3,155,418	$14,182,018	$ 864,279	$18,201,715	$14,736,319

*The prior year column was restated to reflect the reclassification of the State Employees' Deferred Compensation Fund I (457) fund from an expendable trust fund to an agency fund, which resulted in the fund's previously reported unreserved fund balance being reclassified as a long-term liability. The column was also restated to reflect the creation of the new Insurance Carrier Deposits Fund as of October 1, 1986. The prior year column does not include balances related to the Michigan Unemployment Compensation Fund for which audited financial statements prepared in accord with generally accepted accounting principles are not available.

STATE OF MICHIGAN

DESCRIPTIONS OF EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

MICHIGAN UNEMPLOYMENT COMPENSATION FUND

The Michigan Unemployment Compensation Fund is administered by the Michigan Employment Security Commission as authorized by P.A. 1 of 1936 (Extra Session). The fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. It also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, which is a special revenue fund.

MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND

The Michigan Employment Security Act - Contingency Fund, which is administered by the Michigan Employment Security Commission (MESC), was created by P.A. 535 of 1982 to receive a special unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. Solvency taxes are restricted to two purposes, payment of interest on the Michigan Unemployment Compensation Fund borrowings from the federal government and, funding of the costs of a major automation project to the extent that such costs are not funded by other MESC revenue sources. Interest and penalty revenues are spent at the discretion of the commission. The recording of the deferred interest payments and deferred taxes receivable is explained in Note #17 to the general purpose financial statements. Expenditures in the fund reflect payment of deferred interest; operating transfers out reflect transfers to the MESC Administration Fund, where the fund's administrative costs are recorded as expenditures.

MICHIGAN STATE ACCIDENT FUND

As explained in the "Basis of Accounting - Reporting Entity" note to the financial statements, the operations of the Michigan State Accident Fund (MSAF) are not reported in these statements, pending the outcome of litigation between the MSAF and the State which currently prevents the State from exercising oversight responsibility. The amounts included in the State trust fund represent only that portion of the assets which are invested by the State Treasurer on behalf of MSAF. Revenues of the trust fund include reimbursements for State employees workers' compensation payments and administrative costs, deposits by the MSAF to the fund, and investment earnings. Withdrawals from the fund by the MSAF are recorded as expenditures. Operating transfers out reflect trust fund administrative costs, which are recorded as expenditures in the General Fund.

SECOND INJURY FUND

Public Act 317 of 1969, as amended, created the Second Injury Fund within the Department of Labor to insure carriers and self-insured employers against certain workers' compensation losses. The fund is supervised by the administrator who is appointed by the fund's Board of Trustees. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers. Administrative costs are appropriated in the General Fund with financing provided by way of operating transfers.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The fund and its governing board were authorized by P.A. 135 of 1945 as amended. Revenues are provided to the fund from participating municipalities' and employees' contributions and investment income. Expenditures are recorded for benefit payments, contribution refunds, and direct administrative charges. Additional administrative costs incurred in the General Fund are financed by operating transfers from this fund. The State of Michigan's responsibility is that of due care required of an administrator. It has no legal or moral obligation to provide funding requirements, as that is the responsibility of the participating municipalities.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)

Beginning October 1, 1986, this fund was reclassified as an agency fund. This change was made pursuant to Statement 2 of the Governmental Accounting Standards Board.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)

The State Employees' Deferred Compensation Fund II (401K) was administratively established to account for a deferred compensation plan which permits all State employees to defer a portion of their income until future years. The plan is administered by the Department of Civil Service. Employee contributions are recognized as revenue of the fund and benefits paid are recognized as expenditures. Administrative expenditures are paid directly from the fund. A footnote to the general purpose financial statements, titled "Deferred Compensation Plans," includes additional information on the plan.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds column reflects the activities of four funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, and the Highway Topics and Safety Program Fund. The Michigan Department of Transportation is recognized as the legal representative of the State including all governmental subdivisions in the administration of these programs. The financing accounted for in these funds consists primarily of local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result of this, the fund balances of these funds are usually zero.

The Special Federal Bridge Replacement Fund was established in conjunction with the Federal Highway Act of 1970, Section 144. This section was authorized by Congress to assist states in reconstructing or replacing roadway bridges which are found to be unsafe or obsolete.

The Federal County Road Fund was established in conjunction with the Federal Aid Highway Act of 1944. This act authorizes funds for projects on the secondary road system which are selected by the Michigan Department of Transportation in cooperation with county road commissions and the Bureau of Public Roads.

The Federal Urban Transportation System Fund was created to administer provisions of the Federal Highway Act of 1970, Section 106. The responsibility for administration of the act was placed in the Michigan Department of Transportation by Section 302(a) of Title 23, United States Code, and was authorized by section 7(m) of P.A. 286 of 1964. The principal objective of the fund is directed to improvement of urban highway systems in cooperation with local units of government.

The Highway Topics and Safety Program Fund was established in conjunction with the Federal Aid Highway Acts of 1968 and 1973. The objective of this program is to improve the safety and operating conditions of the existing street and road systems in urban areas.

MISCELLANEOUS TRUST ACCOUNTS FUND

This fund is used to report the transactions of several legally separated activities in which the State holds funds in a fiduciary manner. These activities include the following "funds": State Office Buildings Bond Redemption; Children's Institute Trust; Escheats; Gifts, Bequests, and Deposits Investment; Silicosis, Dust Disease, and Logging Industry Compensation; Agricultural College Fund - Morrill Act; Hospital Patients' Trust; Federal Housing Administration Mortgages Escrow; Self-Insurers' Security; Special Assessment Deferment; Urban Land Assembly Loan; Utility Consumer Representation; and Bankrupt Self Insured Corporations Workers' Disability Funds #1 and #2.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN UNEMPLOYMENT COMPENSATION FUND	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 8,876	$ -	$ -	$ 8
Equity in Common Cash	-	34,046	77,234	18,722
Taxes, interest, and penalties receivable	143,424	10,400	-	-
Amounts due from other funds	6,912	1,018	1,232	298
Amounts due from federal agencies	-	-	-	-
Amounts due from local units	11,381	-	-	-
Investments	1,215,624	-	-	-
Other current assets	9,421	-	10,436	-
Total Current Assets	1,395,641	45,465	88,902	19,029
Taxes, interest, and penalties receivable	-	2,380	-	-
Amounts due from local units	-	-	-	-
Investments	-	-	291,501	-
Other noncurrent assets	-	-	-	-
Total Assets	$ 1,395,641	$ 47,846	$ 380,404	$ 19,029
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ 417
Accounts payable and other liabilities	199,927	-	-	3,040
Amounts due to other funds	-	5,600	-	7
Deferred revenue	2,847	10,400	-	-
Total Current Liabilities	202,774	16,000	-	3,464
Long-Term Liabilities:				
Advances from other funds	-	-	-	-
Advances from federal agencies	952,609	-	-	-
Deferred revenue	-	2,380	-	-
Total Liabilities	1,155,384	18,380	-	3,464
Fund Balances:				
Unreserved	240,257	29,465	380,404	15,564
Total Fund Balances	240,257	29,465	380,404	15,564
Total Liabilities and Fund Balances	$ 1,395,641	$ 47,846	$ 380,404	$ 19,029

				TOTALS	
MUNICIPAL EMPLOYEES' RETIREMENT FUND	STATE EMPLOYEES' DEFERRED COMPENSATION FUND II(401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986 (RESTATED)*
$ 5	$ -	$ -	$ 1,935	$ 10,825	$ 14
58,133	6,902	6,883	133,467	335,391	325,688
-	-	-	-	153,824	13,528
815	77	144	2,336	12,835	4,825
-	-	16,597	-	16,597	15,273
2,095	-	2,628	705	16,810	6,576
77,599	-	-	17,885	1,311,110	97,690
29,237	-	-	5,809	54,905	94,801
167,887	6,979	26,253	162,140	1,912,300	558,398
-	-	-	-	2,380	12,800
-	-	-	784	784	1,490
936,409	9,468	-	695	1,238,074	1,049,758
-	-	-	1,878	1,878	2,121
$ 1,104,297	$ 16,447	$ 26,253	$ 165,498	$ 3,155,418	$ 1,624,567
$ 324	$ -	$ 817	$ 797	$ 2,356	$ 2,901
11,301	7	15,846	6,303	236,426	34,389
-	-	1,482	598	7,688	3,576
-	-	8,107	-	21,354	18,709
11,625	7	26,253	7,699	267,825	59,576
-	-	-	2,015	2,015	2,130
-	-	-	-	952,609	-
-	-	-	-	2,380	12,800
11,625	7	26,253	9,715	1,224,831	74,507
1,092,671	16,440	-	155,783	1,930,586	1,550,059
1,092,671	16,440	-0-	155,783	1,930,586	1,550,059
$ 1,104,297	$ 16,447	$ 26,253	$ 165,498	$ 3,155,418	$ 1,624,567

*The prior year column was restated to remove the State Employees' Deferred Compensation Fund I (457) fund, which has been reclassified as an agency fund. The prior year column does not include balances related to the Michigan Unemployment Compensation Fund for which audited financial statements prepared in accord with generally accepted accounting principles are not available.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	MICHIGAN UNEMPLOYMENT COMPENSATION FUND	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND
REVENUES				
Taxes	$ 1,171,182	$ 3,542	$ -	$ -
From federal agencies	26,425	-	-	-
From local agencies	-	-	-	-
Miscellaneous	37,832	9,670	55,519	19,468
Total Revenues	1,235,440	13,212	55,519	19,468
EXPENDITURES				
Current:				
General government	-	-	-	-
Education	-	-	-	-
Health and welfare	-	-	-	-
Labor, commerce, and regulatory	953,631	25,501	-	17,084
Mental health	-	-	-	-
Transportation	-	-	-	-
Total Expenditures	953,631	25,501	-	17,084
Excess of Revenues over (under) Expenditures	281,809	(12,288)	55,519	2,383
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	337	-	-
Operating transfers out	-	(1,821)	(69)	(2,415)
Total Other Financing Sources (Uses)	-	(1,483)	(69)	(2,414)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	281,809	(13,772)	55,450	(31)
Fund Balances - Beginning of fiscal year as previously reported	-0-	43,238	324,954	15,596
Effect of accounting changes	(41,552)	-	-	-
Fund Balances - Beginning of fiscal year - restated	(41,552)	43,238	324,954	15,596
Fund Balances - End of fiscal year	$ 240,257	$ 29,465	$ 380,404	$ 15,564

					TOTALS FISCAL YEARS ENDED	
MUNICIPAL EMPLOYEES' RETIREMENT FUND	STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)	STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986 (RESTATED)*
$ -	$ -	$ -	$ -	$ -	$ 1,174,724	$ 14,081
-	-	-	73,961	-	100,387	93,936
-	-	-	15,107	-	15,107	22,141
159,923	-	15,086	502	89,358	387,361	407,683
159,923	-	15,086	89,572	89,358	1,677,582	537,842
40,823	-	438	-	44,093	85,355	79,192
-	-	-	-	8	8	8
-	-	-	-	52	52	1
-	-	-	-	5,558	1,001,776	49,467
-	-	-	-	5,701	5,701	5,842
-	-	-	92,827	-	92,827	120,697
40,823	-	438	92,827	55,414	1,185,721	255,210
119,100	-	14,647	(3,255)	33,944	491,860	282,632
-	-	-	3,273	163	3,776	4,899
(152)	-	-	(18)	(69,079)	(73,558)	(29,366)
(152)	-	-	3,255	(68,916)	(69,781)	(24,967)
118,947	-	14,647	-	(34,971)	422,079	257,664
973,723	469,275	1,792	-0-	190,755	2,019,335	1,292,394
-	(469,275)	-	-	-	(510,828)	-
973,723	-0-	1,792	-0-	190,755	1,508,507	1,292,394
$ 1,092,671	$ -0-	$ 16,440	$ -0-	$ 155,783	$ 1,930,586	$ 1,550,059

*The prior year column was restated to remove the State Employees' Deferred Compensation Fund I (457) fund, which has been reclassified as an agency fund. The prior year column does not include balances related to the Michigan Unemployment Compensation Fund for which audited financial statements prepared in accord with generally accepted accounting principles are not available.

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STATE OF MICHIGAN

DESCRIPTIONS OF PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

Additional Pension Trust Fund information regarding plan membership, benefits and funding requirements may be found in the footnote to the financial statements entitled "Pension Benefits."

LEGISLATIVE RETIREMENT FUND

The Legislative Retirement System was created by P.A. 261 of 1957 to provide retirement allowances, survivors' allowances, and other benefits for members of the Legislature and the presiding officers and their widows or children.

Participants in the system have a deduction from each salary payment to partly finance the fund. In addition, legislative appropriations, interest on fund investments, and court fees complete the financing.

STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND

This fund was created by P.A. 251 of 1935 which was superseded by P.A. 182 of 1986 to provide retirement benefits for State Police officers. It is administered by a nine member board under the direction of a chairperson elected from the membership. Financing is provided by investment income and by an annual legislative appropriation from the General Fund.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine member board under the direction of an Executive Secretary. Public Act 216 of 1974 eliminated the requirement for member contributions and provided for financing by legislative appropriation and investment earnings. Financing requirements are based on an actuarial percentage of members' current salaries and wages.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981 the Public School Employees' Chapter I Retirement Fund was merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. The two original funds were created by Public Acts 136 of 1945 and 259 of 1974, respectively.

Based upon an actuarial determination, financing for the fund is provided by both annual appropriations by the Legislature and employer contributions. Under P.A. 91 of 1985, additional amounts may be contributed by employees to a "member investment plan." Benefit payments and administrative costs are the principal expenses of the fund. Administrative policy is governed by an eight member board.

PROBATE JUDGES' AND JUDGES' RETIREMENT FUNDS

Public Act 198 of 1951 and P.A. 165 of 1954 created the Judges' and Probate Judges' Retirement Funds respectively. These funds are administered by their respective boards under direction of the Executive Secretary of the State Employees' Retirement Fund. Financing is from member contributions, court filing fees as provided under law, and legislative appropriations. Amendments to the basic law by P.A. 508 and P.A. 510 of 1982 closed the Probate Judges' Retirement Fund to new members. As of January 1983, all new members of the judicial retirement system will be included in the Judges' Retirement Fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
SEPTEMBER 30, 1987
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
ASSETS			
Current Assets:			
Cash and cash equivalents................	$ -	$ -	$ 5
Equity in Common Cash....................	7,653	13,202	40,703
Amounts due from other funds............	119	1,595	8,249
Amounts due from local units............	34	-	-
Investments..............................	-	53,443	582,759
Other current assets.....................	1,364	5,436	54,329
Total Current Assets....................	9,171	73,677	686,048
Investments..............................	41,759	254,663	2,514,317
Total Assets............................	$ 50,930	$ 328,341	$ 3,200,365
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding.....................	$ 33	$ 197	$ 1,839
Accounts payable and other liabilities...	1,464	1,897	93,365
Total Current Liabilities..............	1,497	2,095	95,204
Total Liabilities......................	1,497	2,095	95,204
Fund Balances:			
Reserved for Retirement Benefits.........	49,433	326,246	3,105,161
Total Fund Balances....................	49,433	326,246	3,105,161
Total Liabilities and Fund Balances.....	$ 50,930	$ 328,341	$ 3,200,365

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS SEPTEMBER 30, 1987	TOTALS SEPTEMBER 30, 1986
$ 5	$ -	$ -	$ 10	$ 10
13,469	1,119	4,317	80,466	149,545
1,336	15	87	11,403	17,168
30,637	-	-	30,672	35,510
1,679,029	2,565	14,929	2,332,727	1,675,791
182,553	366	2,170	246,221	135,302
1,907,031	4,067	21,504	2,701,501	2,013,328
8,588,912	11,064	69,798	11,480,517	10,243,248
$10,495,944	$ 15,132	$ 91,303	$14,182,018	$12,256,576
$ 14,457	$ 13	$ 75	$ 16,615	$ 12,767
302,944	101	988	400,762	275,892
317,402	114	1,063	417,377	288,659
317,402	114	1,063	417,377	288,659
10,178,541	15,017	90,239	13,764,640	11,967,917
10,178,541	15,017	90,239	13,764,640	11,967,917
$10,495,944	$ 15,132	$ 91,303	$14,182,018	$12,256,576

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
OPERATING REVENUES:			
Contributions:			
From members	$ 431	$ 56	$ 2,358
From employers	1,634	19,627	227,688
Total contributions from members and employers	2,066	19,684	230,047
Investment revenue (net)	5,519	45,427	434,553
Miscellaneous:			
Court fees for administration and annuities	1,007	-	-
Other	-	-	-
Total miscellaneous	1,007	-	-
Total Operating Revenues	8,593	65,111	664,601
OPERATING EXPENSES:			
Salaries, wages, and other administrative	296	129	1,508
Benefits, insurance, and refunds:			
Benefits paid to participants or beneficiaries	1,664	12,995	193,465
Medical, dental, and life insurance for retirants	590	2,271	31,906
Refunds to terminated members	12	5	122
Total benefits, insurance, and refunds	2,267	15,272	225,495
Total Operating Expenses	2,564	15,402	227,003
Operating Income (Loss)	6,029	49,709	437,598
OPERATING TRANSFERS:			
Operating transfers in	-	-	46
Operating transfers out	(5)	(132)	(1,084)
Total Operating Transfers In (Out)	(5)	(132)	(1,037)
Net Income (Loss)	6,024	49,577	436,560
Fund Balances - Beginning of fiscal year	43,409	276,668	2,668,601
Fund Balances - End of fiscal year	$ 49,433	$ 326,246	$ 3,105,161

			TOTALS	
			FISCAL YEARS ENDED	
PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 100,049	$ 147	$ 2,014	$ 105,058	$ 18,775
513,237	92	1,212	763,492	815,959
613,287	239	3,226	868,551	834,735
1,474,321	2,064	12,267	1,974,153	1,381,977
-	668	5,852	7,528	7,331
170	-	-	171	11
170	668	5,852	7,700	7,343
2,087,779	2,972	21,346	2,850,404	2,224,055
3,967	57	158	6,118	6,982
718,060	1,041	4,970	932,198	735,903
73,134	-	18	107,921	120,154
1,468	-	25	1,636	2,071
792,663	1,042	5,014	1,041,756	858,129
796,631	1,099	5,173	1,047,874	865,112
1,291,147	1,872	16,172	1,802,530	1,358,943
69	-	-	116	128
(3,271)	(17)	(1,410)	(5,922)	(5,174)
(3,202)	(17)	(1,410)	(5,806)	(5,046)
1,287,945	1,854	14,762	1,796,723	1,353,897
8,890,596	13,163	75,477	11,967,917	10,614,019
$10,178,541	$ 15,017	$ 90,239	$13,764,640	$11,967,917

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
SOURCES OF FUNDS:			
From Operations:			
Net income	$ 6,024	$ 49,577	$ 436,560
Working Capital Provided from Operations	6,024	49,577	436,560
From Other Sources:			
Decrease in noncurrent investments (net)	-	-	-
Total Sources of Funds	$ 6,024	$ 49,577	$ 436,560
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ 4,831	$ 26,513	$ 271,607
Net increase (decrease) in working capital	1,193	23,064	164,953
Total Application of Funds	$ 6,024	$ 49,577	$ 436,560
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Equity in common cash	$ 2,127	$ 4,800	$ (13,319)
Amounts due from other funds	9	1,522	(7,351)
Amounts due from local units	(43)	-	-
Investments	-	15,515	180,631
Other current assets	127	2,511	24,201
Warrants outstanding	(9)	45	2,258
Accounts payable and other liabilities	(1,018)	(1,331)	(21,466)
Net Increase (Decrease) in Working Capital	$ 1,193	$ 23,064	$ 164,953

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1987	SEPTEMBER 30, 1986
$ 1,287,945	$ 1,854	$ 14,762	$ 1,796,723	$ 1,353,897
1,287,945	1,854	14,762	1,796,723	1,353,897
-	-	-	-	512
$ 1,287,945	$ 1,854	$ 14,762	$ 1,796,723	$ 1,354,409
$ 925,213	$ 1,232	$ 7,870	$ 1,237,268	$ 206,116
362,731	621	6,891	559,455	1,148,292
$ 1,287,945	$ 1,854	$ 14,762	$ 1,796,723	$ 1,354,409
$ (64,770)	$ (110)	$ 2,194	$ (69,079)	$ 7,466
19	(2)	37	(5,764)	(5,136)
(4,794)	-	-	(4,837)	5,199
455,526	722	4,539	656,936	1,400,466
83,341	75	662	110,919	(3,904)
(6,127)	5	(20)	(3,848)	(5,480)
(100,463)	(68)	(521)	(124,869)	(252,318)
$ 362,731	$ 621	$ 6,891	$ 559,455	$ 1,148,292

STATE OF MICHIGAN

DESCRIPTIONS OF AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987

RECEIPTS CLEARING FUND

This fund is used by several State departments primarily as a depository for various receipts; the classification as to type of revenue being unknown at the time of deposit. Subsequent to the deposit of monies in this fund, the participating departments initiate a determination procedure to clear this fund of deposits made and to credit the proper funds and accounts for revenues received.

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Section 112 and 134 to account for Federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the fund, approximately 80% of which is reimbursed to the local unit by the federal government. The financing accounted for in this fund consists of federal and local money, and no State funds are involved.

CONTRIBUTION FUND (SOCIAL SECURITY)

The function of this fund is to account for monies provided for social security coverage of employees of the State of Michigan and its political subdivisions. The fund, established by P.A. 205 of 1951, is administered by the State Employees' Retirement Board. Social Security reports and contributions by the employee and the employer are reported to the board. The various reports and contributions are recapped and forwarded to the Federal Social Security Administration.

Federal legislation was passed amending section 218 of the Social Security Act which required the State to cease collection of contributions by December 30, 1987 and set the statute of limitations for completion of any adjustment processing at three years after audit of activity through December 31, 1986. At that time, the fund and its purpose are expected to become obsolete.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)

The State Employees' Deferred Compensation Fund I (457) was administratively established to account for a deferred compensation plan which permits all State employees to defer a portion of their income until future years. The plan is administered by the Department of Civil Service. Employee contributions to the fund are recognized as increases to assets and liabilities. Benefits paid and administrative costs decrease assets and liabilities. Administrative costs are appropriated in the General Fund and are reimbursed by this fund. A footnote to the general purpose financial statements, titled "Deferred Compensation Plans," includes additional information on the plan. As of October 1, 1986, the fund was reclassified from an expendable trust fund to an agency fund, pursuant to the Governmental Accounting Standards Board (GASB) Statement 2 which was effective for the 1986-87 fiscal year.

SCHOOL EMERGENCY LOAN REVOLVING FUND

This fund was authorized by P.A. 8 of 1977 to furnish emergency financial assistance to insolvent school districts. Since the loan authority expired June 30, 1983, collection of outstanding loans has been the sole purpose of the fund. Loan repayments with interest are transferred annually to the General Fund.

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND

This fund was authorized by P.A. 641 of 1978, as amended, and P.A. 64 of 1979 to account for cash bonds posted by applicants desiring licenses to operate hazardous and solid waste disposal areas. In accordance with P.A. 641 of 1978, as amended, interest earnings up to 6% are credited to the applicant's account. This act also specifies the circumstances under which the director of the Department of Natural Resources is authorized to use the deposits to close and maintain a facility or return the deposit to the operator upon his satisfactory closure and maintenance of such facility.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established as of October 1, 1986 to account for deposits held by the State Treasurer on behalf of insurance carriers who operate in this State. The deposits are required by statute and are in the form of various securities and acceptable assets.

STATE OF MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
RECEIPTS CLEARING FUND				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,437	$ 2,926	$ 3,437	$ 2,926
Equity in Common Cash	-	2,231,617	2,230,633	984
Other current assets	956	2,078	1,771	1,264
Total Assets	$ 4,393	$ 2,236,622	$ 2,235,841	$ 5,174
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 3,191	$ -	$ 3,191	$ -
Warrants outstanding	471	-	391	80
Accounts payable and other liabilities	618	2,219,343	2,214,877	5,084
Amounts due to other funds	112	10	112	10
Total Liabilities	$ 4,393	$ 2,219,353	$ 2,218,572	$ 5,174
METROPOLITAN PLANNING FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 99	$ 2,438	$ 2,455	$ 81
Amounts due from federal agencies	474	489	474	489
Total Assets	$ 573	$ 2,928	$ 2,929	$ 571
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 16	$ 4	$ -	$ 20
Accounts payable and other liabilities	556	2,440	2,446	550
Total Liabilities	$ 573	$ 2,445	$ 2,446	$ 571
CONTRIBUTION FUND (SOCIAL SECURITY)				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 106,792	$ 403,581	$ 507,636	$ 2,738
Amounts due from other funds	14,853	-	14,853	-
Other current assets	1	-	1	-
Total Assets	$ 121,648	$ 403,581	$ 522,491	$ 2,738
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 60,905	$ -	$ 60,902	$ 2
Accounts payable and other liabilities	60,742	391,679	449,686	2,735
Total Liabilities	$ 121,648	$ 391,679	$ 510,588	$ 2,738

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STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

STATE EMPLOYEES DEFERRED COMPENSATION FUND I (457)	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
ASSETS	(RESTATED)*			
Current Assets:				
Equity in Common Cash	$ 12,371	$ 88,333	$ 84,815	$ 15,889
Amounts due from other funds	328	235	328	235
Total Current Assets	12,700	88,569	85,144	16,125
Investments	456,599	143,193	26,367	573,426
Total Assets	$ 469,299	$ 231,763	$ 111,511	$ 589,551
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 19	$ 16	$ -	$ 35
Accounts payable and other liabilities	4	-	2	2
Total Current Liabilities	23	16	2	38
Long-term Liabilities:				
Other long-term liabilities	469,275	144,716	24,478	589,513
Total Liabilities	$ 469,299	$ 144,732	$ 24,481	$ 589,551

SCHOOL EMERGENCY LOAN REVOLVING FUND	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
ASSETS				
Current Assets:				
Equity in Common Cash	$ -	$ 219	$ 219	$ -
Amounts due from local units	200	153	200	153
Total Current Assets	200	372	419	153
Noncurrent Assets	150	-	150	-
Total Assets	$ 350	$ 372	$ 569	$ 153
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ -	$ 22	$ 19	$ 3
Amounts due to other funds	200	150	200	150
Total Current Liabilities	200	172	219	153
Long-term Liabilities:				
Advances from other funds	150	-	150	-
Total Liabilities	$ 350	$ 172	$ 369	$ 153

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
ASSETS				
Current Assets:				
Equity in Common Cash	$ 187	$ 16	$ 23	$ 181
Amounts due from other funds	2	3	2	3
Total Assets	$ 190	$ 20	$ 25	$ 184
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 190	$ 16	$ 22	$ 184
Total Liabilities	$ 190	$ 16	$ 22	$ 184

Continued on next page

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

INSURANCE CARRIER DEPOSITS FUND

	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
ASSETS	(RESTATED)*			
Current Assets:				
Equity in Common Cash	$ 369	$ 15,533	$ 14,881	$ 1,020
Total Current Assets	369	15,533	14,881	1,020
Other noncurrent assets	258,351	6,549	15	264,884
Total Assets	$ 258,720	$ 22,082	$ 14,897	$ 265,905
LIABILITIES				
Long-term Liabilities:				
Other long-term liabilities	$ 258,720	$ 22,082	$ 14,897	$ 265,905
Total Liabilities	$ 258,720	$ 22,082	$ 14,897	$ 265,905

TOTALS - ALL AGENCY FUNDS

	BALANCE OCTOBER 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1987
ASSETS	(RESTATED)*			
Current Assets:				
Cash and cash equivalents	$ 3,437	$ 2,926	$ 3,437	$ 2,926
Equity in Common Cash	119,820	2,741,740	2,840,665	20,895
Amounts due from other funds	15,185	239	15,185	239
Amounts due from federal agencies	474	489	474	489
Amounts due from local units	200	153	200	153
Other current assets	958	2,079	1,772	1,264
Total Current Assets	140,075	2,747,628	2,861,734	25,968
Investments	456,599	143,193	26,367	573,426
Other noncurrent assets	258,501	6,549	165	264,884
Total Assets	$ 855,175	$ 2,897,371	$ 2,888,267	$ 864,279
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 3,191	$ -	$ 3,191	$ -
Warrants outstanding	61,412	20	61,293	139
Accounts payable and other liabilities	62,113	2,613,502	2,667,055	8,560
Amounts due to other funds	312	160	312	160
Total Current Liabilities	127,029	2,613,683	2,731,852	8,860
Long-term Liabilities:				
Advances from other funds	150	-	150	-
Other long-term liabilities	727,996	166,798	39,376	855,419
Total Liabilities	$ 855,175	$ 2,780,482	$ 2,771,378	$ 864,279

*The State Employees Deferred Compensation Fund I (457) fund was previously classified as an expendable trust fund. Beginning balances have been restated to reflect the reclassification of the fund as an agency fund as well as to reflect the creation of the new Insurance Carrier Deposits Fund as of October 1, 1986.

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STATE OF MICHIGAN

SCHEDULE OF GENERAL FIXED ASSETS ACCOUNT GROUP BY FUNCTION

SEPTEMBER 30, 1987

(In Thousands)

FUNCTION	LAND	BUILDINGS	EQUIPMENT	TOTAL
General government	$ 30,841	$ 184,539	$ 65,046	$ 280,427
Education	313	11,625	8,675	20,614
Health and welfare	1,918	79,590	51,998	133,507
Public safety and corrections	10,100	411,348	58,877	480,326
Conservation, recreation, and agriculture	107,809	44,720	50,925	203,455
Labor, commerce, and regulatory	2,364	4,429	35,400	42,195
Mental health	23,863	237,529	21,752	283,144
Transportation	2,660	27,641	85,270	115,572
Total general fixed assets allocated to functions	$ 179,871	$ 1,001,425	$ 377,946	1,559,243
Construction in progress				90,056
Total general fixed assets				$ 1,649,300

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

FISCAL YEAR ENDED SEPTEMBER 30, 1987

(In Thousands)

FUNCTION	BALANCE SEPTEMBER 30, 1986	ADDITIONS	DELETIONS	BALANCE SEPTEMBER 30, 1987
General government	$ 266,713	$ 15,569	$ 1,854	$ 280,427
Education	18,671	2,117	174	20,614
Health and welfare	122,577	38,263	27,334	133,507
Public safety and corrections	328,962	153,806	2,442	480,326
Conservation, recreation, and agriculture	200,357	12,036	8,938	203,455
Labor, commerce, and regulatory	41,369	3,711	2,885	42,195
Mental health	278,308	8,964	4,128	283,144
Transportation	98,823	22,953	6,203	115,572
Total general fixed assets allocated to functions	$ 1,355,783	$ 257,421	$ 53,962	$ 1,559,243

STATE OF MICHIGAN

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales tax	$ 2,348,446	$ 897,997	$ 1,450,449
Personal income tax	3,350,297	3,350,297	-
Corporation income tax	7,709	7,709	-
Single business tax	1,497,622	1,497,622	-
Use tax	397,800	397,800	-
Cigarette tax	237,382	214,958	22,423
Beer and wine tax	54,196	54,196	-
Liquor excise tax	40,949	20,474	20,474
Horse race wagering tax	22,573	22,573	-
Intangibles tax	76,796	76,796	-
Inheritance tax	84,503	84,503	-
Telephone and telegraph company tax	122,801	122,801	-
Insurance company premium tax	140,093	140,093	-
Motor vehicle weight tax	315,941	-	315,941
Gasoline tax	604,462	-	604,462
Aviation fuel tax	5,220	-	5,220
Diesel fuel tax	50,741	-	50,741
Gas and oil severance tax	48,344	48,344	-
Industrial facilities tax	76,507	-	76,507
Penalties and interest - various taxes	77,524	77,524	-
Watercraft registration tax	5,502	-	5,502
Other taxes	31,800	30,849	950
	9,597,215	7,044,543	2,552,672
FROM FEDERAL AGENCIES			
Department of Health and Human Services	2,413,601	2,413,596	5
Department of Education	257,256	216,060	41,196
Department of Agriculture	213,855	213,855	-
Department of Labor	273,115	164,866	108,248
Department of Housing and Urban Development	21,176	21,176	-
Environmental Protection Agency	12,906	12,906	-
Department of Energy	5,306	5,306	-
Department of Transportation	351,199	6,451	344,748
Department of Interior	9,485	8,371	1,113
Department of Defense	25,092	25,003	88
Department of Justice	5,100	5,100	-
Other federal agencies	25,307	23,241	2,065
	3,613,402	3,115,934	497,467
FROM LOCAL AGENCIES			
Counties	86,739	79,621	7,118
Cities, villages, and townships	12,660	11,784	875
Colleges and universities	5,344	5,344	-
School districts	5,988	5,988	-
Multi-level governmental units	9,632	934	8,697
Other local agencies	13,885	2,042	11,842
	134,251	105,716	28,535

Continued on next page.

STATE OF MICHIGAN

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES (Continued)

GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY

FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for furnishing vehicle driver records	$ 20,872	$ 20,872	$ -
Revenue for patient, ward, and inmate care	67,204	67,204	-
Other services	12,963	11,775	1,188
	101,040	99,852	1,188
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	12,073	12,073	-
Motor vehicle operators' and chauffeurs' licenses	15,413	15,413	-
Examination fees -- financial institutions and insurance industry	7,228	7,228	-
Department of Licensing and Regulation licenses and permits	20,277	20,277	-
Concession and privilege fees - State parks	9,302	9,302	-
Motor vehicle related	27,659	4,446	23,213
Hunting, fishing, and trapping licenses	35,991	-	35,991
Public utility assessment fees	13,428	13,428	-
Department of Commerce licenses and permits	7,464	7,464	-
Department of Agriculture licenses and permits	1,347	1,347	-
Auto repair facilities and mechanics licenses and fees	2,989	2,989	-
Corporation franchise fees	2,252	2,252	-
Other licenses and permits	14,659	8,912	5,747
	170,087	105,135	64,952
MISCELLANEOUS			
Income from investments	70,796	10,965	59,830
Various fines, fees, and assessments	12,016	6,898	5,117
Court fines, fees, and assessments	24,827	18,679	6,148
Oil and gas royalties, fees, assignments, and rentals	49,889	5,047	44,842
International Bridge Authority reimbursements	1,357	-	1,357
Sale of forest products on tax reverted land	5,386	5,386	-
Child support	133,689	133,689	-
Sale of land	3,822	607	3,215
Third party	4,975	4,975	-
Other	85,974	70,275	15,699
	392,736	256,525	136,210
Total Revenues	14,008,735	10,727,708	3,281,026
OTHER FINANCING SOURCES			
Capital lease acquisitions	12,246	11,135	1,111
Operating transfers in:			
From general and special revenue funds	1,194,244	165,479	1,028,764
From Liquor Purchase Revolving Fund	68,202	68,202	-
From State Lottery Fund	407,607	552	407,055
From Escheats Fund	12,574	12,574	-
From Gifts, Bequests, and Deposits Investment Fund	53,876	53,876	-
From State Building Authority	94,000	94,000	-
From other funds	22,060	14,532	7,528
Total Other Financing Sources	1,864,812	420,352	1,444,459
Total Revenue and Other Financing Sources	$15,873,547	$11,148,060	$ 4,725,486

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1987
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	UNEXPENDED BALANCES FROM PRIOR YEARS	RESTRICTED REVENUE ADDITIONS	BUDGETARY TRANSFERS IN (OUT)	GROSS AUTHORIZATIONS
Legislative Branch	$ 94,589	$ 10,023	$ 7,867	$ 558	$ 113,039
Judicial Branch	92,523	99	20,412	10,548	123,583
Executive Branch:					
Executive Office	3,870	5	-	-	3,875
Management and Budget	204,664	155,198	949,247	(34,841)	1,274,268
Attorney General	21,268	198	6,909	74	28,450
Civil Rights	10,366	161	1,412	-	11,940
Civil Service	11,239	259	3,848	-	15,348
State	15,628	1,565	84,554	11	101,759
Treasury	106,454	14,092	63,269	735	184,552
Education	688,489	6,065	398,342	5,175	1,098,072
Grants to Colleges and Universities	1,188,415	47,205	-	22,036	1,257,657
Public Health	130,491	18,382	152,425	1,826	303,126
Mental Health	721,844	36,509	265,881	7,482	1,031,717
Social Services	2,009,394	22,064	2,286,635	(15,232)	4,302,862
Corrections	508,777	79,135	90,090	3,427	681,430
Military Affairs	15,580	5,884	10,981	151	32,598
State Police	164,903	4,774	41,539	(2,667)	208,549
Transportation	-	-	-	100	100
Commerce	109,813	18,018	77,317	(1,847)	203,302
Labor	100,132	22,051	211,408	340	333,933
Licensing and Regulation	15,344	537	5,391	-	21,272
Natural Resources	129,330	68,969	112,783	560	311,645
Agriculture	28,112	7,656	24,208	1,558	61,536
Items Not Assigned to Departments	-	-	-	-	-
TOTAL	$ 6,371,234	$ 518,863	$ 4,814,526	$ -	$11,704,624

*Unused spending authority which does not lapse has been broken into two categories:

Timing differences are subtracted from Gross Authorizations in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multiyear projects, such as capital outlay and work projects, and also restricted revenues which were not available for expenditure in the current year because they had not been appropriated.

Restricted revenue balances forward in the Variances category represents restricted revenue carry-overs that could have been used in the current period but were not.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

	"BUDGET"	"ACTUAL"		"FAVORABLE VARIANCES"		"UNFAVORABLE VARIANCES"
LESS: TIMING DIFFERENCES*	AS PRESENTED IN STATEMENTS	EXPENDED AND TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES FORWARD*	LAPSED	OVER EXPENDED
$ 15,128	$ 97,910	$ 93,589	$ 1,922	$ 1,174	$ 1,257	$ 32
-	123,583	122,253	112	-	1,341	124
-	3,875	3,674	22	-	179	-
169,110	1,105,158	1,089,603	1,527	2,498	11,529	-
86	28,364	27,423	90	-	850	-
-	11,940	11,661	49	-	229	-
-	15,348	14,605	292	-	450	-
433	101,325	99,390	1,171	300	512	49
15,917	168,635	157,830	4,948	619	10,176	4,940
1,337	1,096,734	1,093,209	1,201	-	3,119	796
56,394	1,201,263	1,201,208	-	-	55	-
8,201	294,924	289,223	6,536	19	864	1,718
33,777	997,940	1,028,769	3,388	1,694	5,639	41,551
23,172	4,279,689	4,364,982	8,107	-	43,710	137,111
106,082	575,347	560,978	3,211	7	15,528	4,379
7,482	25,115	24,669	397	-	355	306
16,354	192,195	191,831	1,015	85	1,035	1,772
100	-	-	-	-	-	-
17,041	186,260	173,212	11,268	23	1,761	5
17,521	316,412	296,088	597	14,388	5,617	279
-	21,272	18,985	394	102	1,981	191
56,463	255,182	228,127	9,284	13,234	5,310	775
10,912	50,624	47,791	987	258	1,627	40
-	-	57	-	-	-	57
$ 555,518	$11,149,106	$11,139,168	$ 56,529	$ 34,406	$ 113,134	$ 194,132

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STATE OF MICHIGAN
REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS
SEPTEMBER 30, 1987
(In Thousands)

SOURCE	1977-1978	1978-1979	1979-1980	1980-1981
TAXES:				
Sales	$ 1,376,414	$ 1,506,294	$ 1,503,972	$ 1,594,970
Personal Income	1,712,373	1,943,478	1,912,044	2,036,016
Single Business	899,390	1,001,300	1,076,010	942,249
Use Tax	210,482	232,895	232,319	245,689
Liquor, Beer, Wine, and Cigarette Tax	229,314	225,930	229,104	243,254
Telephone and Telegraph Company Tax	81,966	87,413	93,828	98,773
Insurance Company Premium Tax	99,755	108,778	148,569	110,972
Motor Vehicle and Fuel Tax	615,130	742,512	713,455	652,121
Other Taxes	164,792	195,421	217,094	270,973
TOTAL TAXES	5,389,620	6,044,023	6,126,400	6,195,020
FEDERAL AGENCIES	2,066,814	2,129,729	2,452,370	2,602,459
LOCAL AGENCIES	36,125	37,982	52,137	71,149
SERVICES	37,851	46,332	50,039	55,827
LICENSES AND PERMITS	97,545	97,408	118,772	126,897
MISCELLANEOUS	114,710	186,509	229,929	229,039
TOTAL REVENUE	7,742,668	8,541,985	9,029,649	9,280,393
PROCEEDS FROM BOND ISSUES	-	-	106,329	64,010
CAPITAL LEASE ACQUISITIONS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	$ 7,742,668	$ 8,541,985	$ 9,135,978	$ 9,344,403

NOTES: This schedule was prepared on the Statutory/Budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

Proceeds from bond sales were recorded in "bond funds," rather than in special revenue funds for periods prior to 1979-80.

The recording of capital lease acquisitions began in 1984-85 and prior year amounts are not available.

1981-1982	1982-1983	1983-1984	1984-1985	1985-1986	1986-1987
$ 1,570,630	$ 1,698,983	$ 1,924,996	$ 2,142,624	$ 2,283,138	$ 2,348,446
2,162,858	2,770,377	3,189,705	3,311,680	3,153,952	3,350,297
943,148	1,041,745	1,280,547	1,378,424	1,526,598	1,497,622
247,358	279,516	317,332	341,400	390,839	397,800
279,778	331,975	331,881	334,530	330,842	332,528
105,195	107,984	113,073	110,236	116,880	122,801
104,253	101,573	103,411	116,994	148,551	140,093
671,429	704,118	828,555	981,431	1,004,476	1,024,709
286,539	301,159	316,232	240,704	315,524	382,917
6,371,191	7,337,434	8,405,736	8,958,026	9,270,804	9,597,215
2,635,608	2,770,046	3,030,149	3,190,771	3,498,625	3,613,402
119,144	140,489	122,772	118,064	127,566	134,251
59,779	62,511	53,625	92,459	112,844	101,040
123,053	129,253	137,557	147,879	151,617	170,087
195,383	142,791	220,590	314,287	445,957	392,736
9,504,160	10,582,524	11,970,430	12,821,486	13,607,416	14,008,735
-	132,186	107,714	32,875	7,518	-
-	-	-	25,071	9,100	12,246
$ 9,504,160	$10,714,710	$12,078,144	$12,879,434	$13,624,035	$14,020,981

STATE OF MICHIGAN

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS

SEPTEMBER 30, 1987
(In Thousands)

	1977-1978	1978-1979	1979-1980	1980-1981
Current:				
General government	$ 275,403	$ 317,904	$ 345,064	$ 393,324
Education	2,637,032	2,977,051	3,121,272	2,949,451
Health and welfare	2,371,985	2,558,304	3,032,898	3,284,977
Public safety and corrections	244,587	266,892	309,790	338,269
Conservation, recreation, and agriculture	143,620	142,778	171,834	169,721
Labor, commerce, and regulatory	275,724	285,184	347,309	416,901
Mental health	390,287	450,925	537,906	714,708
Transportation	738,101	602,054	669,645	659,516
Items not assigned to a function	546,373	639,979	667,014	-
Capital outlay	-	396,386	443,852	329,670
Intergovernmental - revenue sharing	-	-	-	542,232
Debt service - capital lease payments	-	-	-	-
Total Expenditures	$ 7,623,118	$ 8,637,461	$ 9,646,583	$ 9,798,774

NOTE: This schedule was prepared on the statutory/budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

For years prior to 1978-79, operating transfers to funds other than the General and Special Revenue Funds and capital outlay expenditures are included in "current expenditures."

For years prior to 1980-81, "Intergovernmental - revenue sharing" was included in "Items not assigned to a function."

The recording of payments on capital leases as debt service expenditures began in 1984-85 and comparable prior year numbers are not available.

1981-1982	1982-1983	1983-1984	1984-1985	1985-1986	1986-1987
$ 487,728	$ 437,401	$ 497,204	$ 536,658	$ 615,666	$ 610,583
2,740,003	3,002,609	3,269,098	3,629,377	4,055,335	4,275,186
3,591,335	3,770,789	4,042,865	4,187,289	4,471,975	4,636,720
361,914	374,122	424,621	485,832	573,394	687,719
174,602	185,585	182,347	214,510	253,893	270,509
387,837	444,322	501,165	523,445	535,803	595,868
627,201	630,294	711,658	815,537	903,129	1,022,501
669,724	667,677	782,802	840,177	853,218	904,401
8,238	64,370	6,913	2,728	121	57
388,955	278,075	406,988	428,598	588,524	616,875
525,124	595,097	674,312	761,748	831,087	879,238
-	-	-	17,879	20,858	25,987
$ 9,962,661	$10,450,343	$11,499,978	$12,443,785	$13,703,009	$14,525,650

STATE OF MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS

LAST TEN YEARS
SEPTEMBER 30, 1987
(In Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS	RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL FUND EXPENDITURES AND TRANSFERS
1977-1978	37,270	25,429	62,700	6,107,850	1.03
1978-1979	40,470	23,088	63,558	6,853,855	.93
1979-1980	34,984	21,085	56,069	7,563,326	.74
1980-1981	33,885	17,341	51,227	7,482,732	.68
1981-1982	40,279	16,579	56,859	7,516,015	.76
1982-1983	43,000	14,471	57,471	8,143,129	.71
1983-1984	41,000	12,367	53,367	9,051,729	.59
1984-1985	44,418	12,185	56,603	9,724,446	.58
1985-1986	51,200	12,911	64,111	10,512,879	.60
1986-1987	40,300	10,929	51,229	11,139,168	.46

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

This schedule was prepared on the Statutory/Budgetary basis.

STATE OF MICHIGAN

NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN YEARS
SEPTEMBER 30, 1987
(In Thousands)

FISCAL YEAR	POPULATION*	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	NET BONDED DEBT	NET BONDED DEBT PER CAPITA (IN DOLLARS)
1977-1978	9,230	$527,500	$4,447	$523,053	56.67
1978-1979	9,261	482,500	3,385	479,114	51.73
1979-1980	9,241	439,100	6,179	432,920	46.85
1980-1981	9,196	409,600	5,837	403,762	43.91
1981-1982	9,099	361,000	6,204	354,795	38.99
1982-1983	9,056	309,300	7,960	301,339	33.28
1983-1984	9,107	259,300	3,132	256,167	28.13
1984-1985	9,137	241,700	2,607	239,092	26.17
1985-1986	9,160	198,000	5,669	192,330	20.99
1986-1987	9,210	157,700	2,413	155,287	16.86

*SOURCE: Federal Bureau of the Census and Michigan Department of Management and Budget.

STATE OF MICHIGAN
DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST FIVE YEARS
September 30, 1987
(In Millions)

	1982-83	1983-84	1984-85	1985-86	1986-87
Constitutionally Restricted Transportation Fund Revenues:					
Motor Fuel Taxes	$464.4	$570.7	$616.4	$644.7	$656.2
Registration Taxes	237.7	255.9	286.7	300.0	315.6
Miscellaneous Fees	18.8	20.4	24.4	25.4	23.6
Total	720.9	847.0	927.5	970.1	995.4
Less Deductions	58.9	56.7	61.6	68.2	69.7
Remaining Balance	662.0	790.3	865.9	901.9	925.7
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	63.8	78.5	87.4	90.3	92.6
Motor Vehicle Related Revenues	$412.8	$511.2	$590.7	$619.6	$593.3
Allocation to Comprehensive Transportation Fund	24.5	35.7	41.3	43.2	41.4
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	88.3	114.2	128.7	133.5	134.0
Plus Other Revenues (primarily interest)	4.7	4.5	9.2	6.2	8.3
Money Available for Debt Service	93.0	118.7	137.9	139.7	142.3
Maximum Future Annual Debt Service (2)	21.4	21.4	21.4	21.4	21.4
Debt Service Coverage	4.35x	5.55x	6.44x	6.53x	6.65x

(1) The above table shows the estimated coverage of maximum future annual debt service on the bonds by revenues credited to the Comprehensive Transportation Fund during the fiscal years ended September 30, 1983, 1984, 1985 and 1986, and by the estimated deposits into the Comprehensive Transportation Fund for the fiscal year ending September 30, 1987.

(2) The above table does not include debt service on refunded bonds, including those refunded subsequent to September 30, 1987.

SOURCE: Michigan Department of Transportation, Official Statement, Series 1988-I and 1988-II Refunding Bonds.

STATE OF MICHIGAN

DEBT SERVICE COVERAGE

STATE TRUNKLINE FUND RELATED BONDS

LAST FIVE YEARS
September 30, 1987
(In Millions)

	1982-83	1983-84	1984-85	1985-86	1986-87
Constitutionally Restricted Transportation Fund Revenues:					
Motor Fuel Taxes	$464.4	$570.7	$616.4	$644.7	$656.2
Registration Taxes	237.7	255.9	286.7	300.0	315.6
Miscellaneous Fees	18.8	20.4	24.4	25.4	23.6
Total	720.9	847.0	927.5	970.1	995.4
Less Deductions:					
Collection Costs	51.0	48.5	52.4	57.4	62.2
Mackinac Bridge Authority	3.5	3.5	3.5	3.5	-0-
Waterway Fund	4.3	4.8	5.7	7.3	7.5
Comprehensive Transportation Fund (excluding interest)	63.8	78.5	87.4	91.1	93.3
Critical Bridge Fund	5.0	5.0	5.0	5.0	5.0
Total Deductions	127.6	140.3	154.0	164.3	168.0
Constitutionally Restricted Revenues Available for Distribution	593.3	706.7	773.5	805.8	827.3
Plus Other Revenues (primarily interest)	6.4	8.2	7.3	8.0	7.1
Total Money Available for Distribution	599.7	714.9	780.8	813.8	834.4
Distributions to:					
Cities and Villages	124.2	157.0	170.3	178.7	183.4
County Road Commissions	230.7	280.2	304.5	317.1	325.5
State Trunkline Fund	247.5	277.7	306.0	318.0	325.5
Money Available for Debt Service	247.5	277.7	306.0	318.0	325.5
Maximum Future Annual Debt Service (2)	29.3	29.3	29.3	29.3	23.7
Debt Service Coverage	8.45x	9.48x	10.44x	10.85x	13.73x

(1) The above table shows the estimated coverage of maximum future annual debt service on the bonds by revenues credited to the State Trunkline Fund for the fiscal year ending September 30, 1983, 1984, 1985, and 1986, and by the estimated deposits into the State Trunkline Fund for the fiscal year ending September 30, 1987.

(2) The table above excludes amounts related to refunded bonds.

SOURCE: Michigan Department of Transportation

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STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 57,022 square miles of land mass (exclusive of 1,194 square miles of inland water and 38,575 square miles of great lakes water area) with 3,288 miles of shoreline on four of the five great lakes. A combined water and land area of 96,791 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years, estimated at September 30 (in thousands):

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Population......	9,230	9,261	9,241	9,196	9,099	9,056	9,107	9,137	9,160	9,210
Percent Change..........	.5%	.3%	(.2%)	(.5%)	(1.1%)	(.5%)	.6%	.3%	.3%	.5%

Source:

U.S. Bureau of the Census (adjusted to September 30 by the Office of Revenue and Tax Analysis, Michigan Department of Management and Budget).

WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data during the years 1977-1986:

	Per Capita Income (a)		Retail Sales (b) (In Millions)		Taxable Property Value (c) (In Millions)	Bank Deposits (d) (In Millions)
YEAR	MI	U.S.	MI	U.S.	MI	MI
1977	$ 7,867	$ 7,289	$29,520	$ 725,220	$ 54,084	$ 42,078
1978	8,737	8,133	37,711	894,343	64,863	45,809
1979	9,574	9,025	37,767	899,379	72,528	46,788
1980	10,168	9,910	38,532	959,561	82,646	62,905
1981	10,867	10,940	40,516	1,041,327	92,059	65,735
1982	11,105	11,470	39,239	1,072,065	98,210	68,312
1983	11,830	12,093	42,803	1,174,298	98,344	75,852
1984	12,989	13,114	47,012	1,297,015	100,171	80,919
1985	13,608	13,867	51,965	1,395,243	102,796	86,983
1986	14,064	14,461	55,686	1,476,173	106,242	93,960

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis.
(b) Survey of Buying Power, Sales and Market Management Magazine, July 27, 1987.
(c) State of Michigan, Department of Treasury, Property Tax Division.
(d) State of Michigan, Department of Commerce, Financial Institutions Bureau. The amounts shown include state and national banks, state and federal (but not federal before 1980) credit unions, and state and federal (but not federal before 1980) savings and loan associations.

STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA (Continued)

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the calendar years 1977-86:

Year	Total Labor Force	Total Employment	Unemployment	Unemployment Rate
1977	4,117	3,780	336	8.2%
1978	4,198	3,909	289	6.9%
1979	4,312	3,977	335	7.8%
1980	4,293	3,759	534	12.4%
1981	4,306	3,777	529	12.3%
1982	4,277	3,616	661	15.5%
1983	4,287	3,678	608	14.2%
1984	4,347	3,861	487	11.2%
1985	4,352	3,920	433	9.9%
1986	4,393	4,007	385	8.8%

Wage and salary employment for calendar years 1982-1986 consisted of the following (in thousands):

	1982	1983	1984	1985	1986
Wage and Salary Employment					
Manufacturing					
Durable Goods:					
Lumber & Wood	9.7	10.8	12.2	12.7	13.3
Furniture & Fixtures	21.6	22.2	24.8	26.7	27.1
Primary Metals	51.1	49.5	53.6	52.0	49.6
Fabricated Metals	101.7	102.9	118.6	124.5	122.8
Nonelectric Machinery	132.1	116.9	129.4	134.1	132.4
Electric Machinery	30.4	30.6	34.1	36.1	37.9
Transportation Equipment	302.7	317.5	343.7	361.3	358.3
Other Durables	35.2	35.3	39.0	39.6	38.6
Total Durable Goods	684.5	685.8	755.3	787.0	780.0
Nondurable Goods:					
Food & Kindred	46.1	45.4	45.8	45.8	45.9
Textiles & Apparel	17.3	18.8	20.8	22.6	23.8
Paper & Allied Products	20.4	20.4	21.1	21.3	21.2
Printing & Publication	32.7	34.0	36.7	37.9	37.6
Chemicals & Petroleum	44.9	42.8	43.0	41.0	40.7
Other Nondurables	30.9	33.3	40.2	46.8	49.0
Total Nondurables	192.3	194.7	207.6	215.4	218.2
Total Manufacturing	876.8	880.5	962.8	1,002.4	998.3
Nonmanufacturing					
Construction	89.5	86.5	92.7	107.8	115.3
Transportation Communications and Utilities	143.3	139.4	140.2	145.9	147.8
Wholesale Trade	150.7	154.6	166.3	174.6	176.6
Retail Trade	542.6	556.9	579.5	617.4	637.0
Finance, Insurance and Real Estate	151.9	151.4	154.4	163.3	170.6
Services	650.3	675.0	708.0	759.5	786.9
Mining	10.4	9.0	10.0	9.9	10.1
Total Nonmanufacturing	1,738.6	1,772.8	1,851.0	1,978.4	2,044.3
Government	577.8	569.8	567.2	580.7	596.6
Total Wage and Salary Employment	3,193.3	3,223.1	3,381.0	3,561.5	3,639.2

Source: Michigan Emloyment Security Commission.